

**565/1 –
BUSINESS STUDIES
PAPER I**

MARKING SCHEME

1. Reasons for subsistence production in Kenya
(a) Lack of adequate machines
(b) Reliance on poor technology
(c) Lack of adequate markets
(d) Poor resource endowments
(e) Low lands of economic growth and development (1x4)

2. Limitations of pipeline transport in Kenya (1x4)
(a) Construction is expensive
(b) It is unidirectional
(c) Only limited to liquids and gases
(d) Not flexible
(e) Require constant monitoring by experts – extra expense

3. Government ensures delocalization through (1x4)
(a) Provision security
(b) Provision of cheap land to willing investors
(c) Offering tax relief/holidays
(d) Offering subsidies
(e) Offering financial assistance to investors
(f) Improving infrastructure

4. Factors that contribute to the success of business (1x4)
(a) Good and technical skills of the owner in managing the business
(b) Good record keeping
(c) Good customer relations
(d) Government support
(e) Adopting modern technology

5. Types of unemployment (1x4)
(a) Structural
(b) Disguised/hidden
(c) Seasonal
(d) Real wage/voluntary

6. Limitations of using national income as a measure of standards of living (1x4)
(a) Does not show distribution of national income
(b) Increase in output may be due to long working hours by the citizens
(c) Percapita income may have been competed from inaccurate statistics

- (d) GNP does not take into account the effect of production activities on the environment
 - (e) Increase in national income resulting from child labour
7. Advantages of a bonded warehouse to the government (1x4)
- (a) Ensures that custom duty is paid
 - (b) Government is able to control the entry of harmful goods
 - (c) Government can verify the documents of goods in transit
 - (d) Government is able to control the quality of goods entering into the country
 - (e) Government can inspect the nature of goods imported
 - (f) Government can check on illegal goods entering the country
8. Consumers benefits as a result of buying directly from a manufacturer (1x4)
- (a) Can obtain goods at lower price
 - (b) May be provided with transport facilities
 - (c) May benefits from credit facilities
 - (d) High quality goods
 - (e) Can obtain good based on own specifications
 - (f) Can obtain technical advice on use of goods
9. Negative effects of “Operation Linda Nchi” on Kenya Economy (1x4)
- (a) Retaliatory attacks on the Kenya people
 - (b) Loss of skilled man power
 - (c) Scared away potential investors
 - (d) Funds diverted from key infrastructural sectors to meet the expenses of the war
 - (e) Loss of capital/properties
10. Functions of an office in an organization (1x4)
- (a) Receiving mails
 - (b) Distribution of mails
 - (c) Filing documents for future reference
 - (d) Reproduction of documents
 - (e) Co-ordinating other department in an organization
 - (f) Safeguarding an organizations property
11. Ways in which the stock of a business change (1x4)
- (a) Goods being sold
 - (b) Purchase of new-stock
 - (c) Goods being reformed by customers
 - (d) Returning goods to the suppliers
12. Benefits of prize winning competition (1x4)
- (a) Enables a firm to increase sales
 - (b) Enables a firm to get permanent customers
 - (c) Enables a firm to build customer loyalty in the product if they have won the prices
 - (d) It builds a good image/reputation for the firm give many prices

- (e) Used to counter competitors easily as customer will benefit from prices
- (f) It is cheaper to use this method is many customers contribute (participate in the competition to raise money for the prize)

13. Errors that may cause a trial balance to balance (1x4)
- (a) Error of total omission of a transaction
 - (b) Error of commission
 - (c) Error of principle
 - (d) Error of complete reversal of entries
 - (e) Compensating errors
 - (f) Error of original entry
 - (g) Transposition error

14. Kisama Traders
Balance sheet
As at 31 January 2012

Machinery	40,000✓	Capital	140,000	
Debtors	100,000✓	+ Net profit	5,000	145,000✓ ✓
Cash in hand	100,000✓	<u>LTC</u>		
Cash at bank	105,000✓	5 year loan		290,000✓
Stock	20,000✓	<u>STL</u>		
	<u>465,000</u>	Creditors		<u>30,000✓</u>
				<u>465,000</u>

@ tick ½ x 8 =4

15. Circumstances under which a life assurance policy might come to an end (1x4)
 Upon it's maturity (incase of maturity of the policy)
- (a) Incase the assured dies
 - (b) Incase the assured decodes to surrender the policy
 - (c) Incase the assured is unable to pay premiums
 - (d) If the assurer is insolvent
 - (e) If it is a court order for the policy to be terminated

16. Internal weaknesses that affect performance of a business (1x4)
- (a) Poor management styles
 - (b) Personnel's who lack necessary skills
 - (c) Inadequate finances
 - (d) Poor communication and information system
 - (e) Inadequate physical facilities

- 17.
- (a) It is cheap
 - (b) It is fast
 - (c) Convenient as most people have mobile phones
 - (d) Can be forwarded to many people at the same time
 - (e) Can be stored for future references

- (f) Can be used as evidence hate speech
18. (a) Proforma invoice
 (b) Advice note/dispatch note
 (c) Acknowledgement note
 (d) Credit note (1x4)
19. (a) Memorandum of association
 (b) Article of association
 (c) List of directors and their details
 (d) Declaration form
 (e) Certificate of incorporation
 (f) A statement of share capital
20. (1x4)
 (a) Information may not be secure since many people can access it (a king)
 (b) Information can be diverted by competitors who know the pass word
 (c) Computers can be invaded by virus losing all the information
 (d) Can be used to transmit harmful information e.g. terrorism, drugs
 (e) It may slow or taking long to access services
 (f) One needs to be a computer literate
 (g) Encourage ponorgraphy
21. (1x4)
 (a) There are few large firms in the market
 (b) Firms produce identical products
 (c) There is interdependence in pricing of output
 (d) Firms involve in collection to maximize on profits
 (e) Firms have kinked demand curve
22. Parties to a cheque (1x4)
 (a) Drawer
 (b) Payee
 (c) Drawee
 (d) Endorser
 (e) Endorsee
23. Importance's of commerce in society (1x4)
 (a) Creates employment opportunities
 (b) Has provided variety of goods and services
 (c) Generates revenue to the government
 (d) Raises ones standards of living
 (e) Results to peaceful coexistence among society members
24. Factors leading to reduction in supply (1x4)
 (a) Decrease in price of the product
 (b) Lack of factors of production
 (c) High cost of production

- (d) Unfavourable government policies
- (e) Poor state of technology
- (f) Poor weather conditions/natural factors

25.

- (a) Differences in quality of goods and services
- (b) Insufficient incomes
- (c) High prices of goods and services
- (d) Scarcity of goods and services
- (e) Political instability

(1x4)