

KCSE 2022 PAPER 1**5.5 BUSINESS STUDIES (565)****5.5.1 Business Studies Paper 1 (565/1)**

1.	Areas in Business Studies described: a) Accounting b) Commerce c) Economics d) Entrepreneurship	(Any 4 x 1 = 4 marks)
2.	Limitations of direct trade include: a) Higher cost of distribution and operation will be borne by the producer in order to serve all consumers. b) It may be harder to reach potential customers with the network where they are widely scattered. c) It is suitable for a limited range of product/may not be applicable in the distribution of all products. d) Risks involved are borne by the producer alone. e) The producer bears the cost of packaging which could be otherwise done by the intermediaries. f) Logistical challenges in managing distribution points serving consumers/buyers in various parts of the country. g) Consumers may access fewer varieties of goods hence quality may be low h) Producer may have challenges of storage to hold enough stock to supply the market.	(Any 4 x 1 = 4 marks)
3.	Calculation of compensation: a) $Compensation = \frac{Sum\ Insured}{Real\ value} \times Loss \quad \checkmark$ $= \frac{800,000}{1,000,000} \times 800,000 \quad \checkmark$ $= 640,000 \quad \checkmark$ Any 3x 1 = 3 marks a) The house was underinsured. \checkmark 1 Any 1x 1 = 1 mark Under the principle of indemnity.	(Any 4 x 1=4 marks)
4.	Representation by letters (a), (b), (c) and (d): a) Firms b) Households c) Payments for factor inputs/factors of production d) Provision of factors of production/payment for goods and services	(4 x 1 = 4 marks)

5.	<p>Types of original entries where the transactions are recorded:</p> <ul style="list-style-type: none"> a) Purchases Journal b) Sales Returns Journal/Returns inwards Journal c) Cash Receipt Journal/Cash Book d) General Journal/Journal proper 	(4 x 1 = 4 marks)
6.	<p>Circumstances under which C.W.O would be preferred include:</p> <ul style="list-style-type: none"> a) When the buyer is new to the seller b) When the buyer's creditworthiness is questionable/in doubt c) Where the seller is operating a mail order business d) Where cash with order is the policy of the business e) When the sellers requires cash urgently f) When the seller requires ready/working capital g) When the seller wants to avoid a lot of recording. 	(Any 3 x 1 = 3marks)
7.	<p>Non-tax sources of Government:</p> <ul style="list-style-type: none"> a) Government borrowings b) Profits from Government Investments/Parastatal c) Court fines/penaltie d) Interest on loans advance by Government Agencies like KIE/ICDC e) Rent and Rates on Government properties f) Assets reverting back to the government upon death of owners without being claimed/Escheats g) Grants/Aid/donations from donors and development partners h) Licenses and fees i) Proceeds from sale of government property j) Fees e.g parking fees 	(Any 4 x 1 = 4marks)
8.	<p>Ways in which the Economic Environment may lead to business success include:</p> <ul style="list-style-type: none"> a) Low interest on loans hence affordable capita b) Low/moderate inflation favouring costs of productio c) Price stability leading to predictable income d) Low taxes boosting profit ma gins e) Increased Government subsidies lowering production cost f) Increase in consumers level of disposable income increasing demand g) Low exchange rates leads to business success. h) Equitable distribution of income leads to business success. 	(Any 4 x 1 = 4 marks)

9.	<p>Circumstances under which a firm may be located near the market of its products:</p> <p>a) When there is need to reduce the cost of transporting its final product</p> <p>b) When the finished/final products are heavy/bulky</p> <p>c) When dealing in perishable final product</p> <p>d) When dealing in fragile final product</p> <p>e) When the cost of transporting raw materials is cheaper than the cost of transporting finished final product</p> <p>f) When the market is located/concentrated in one area.</p> <p>g) When the level of competition is high/stiff so as to deal directly with consumers</p> <p>h) When the finished/final products are bulky.</p>	(Any 4 x 1 = 4 marks)
10.	<p>Meaning of the trends in business ownership are:</p> <p>a) <u>Holding companies</u> – One that acquires 51% or more shares from another company</p> <p>b) <u>Amalgamation/Mergers</u> – Where two/more business organizations combine/merge to form one bigger business</p> <p>c) <u>Absorption</u> – A business taking over another business by buying all the assets and the purchased one ceases to exist all together.</p> <p>d) <u>Cartels</u> – A group of related companies that agree to work together in order to control output, prices and market of their goods/services</p>	
11.	<p>Conditions describing types of market structures:</p> <p>(a) Monopoly</p> <p>(b) Perfect competition</p> <p>(c) Oligopoly</p> <p>(d) Monopolistic competition</p>	(Any 4 x 1 = 4 marks)
12.	<p>Causes of Cost Push Inflation includes</p> <p>(a) Rise in salaries and wages</p> <p>(b) Increase in taxes</p> <p>(c) Reduction in subsidies</p> <p>(d) Unforeseen calamities such as drought/flood</p> <p>(e) Increase in prices of raw materials</p> <p>(f) Increased cost of utilities like electricity, water, insurance etc.</p> <p>(g) Unfavourable government legislation forcing use of expensive materials</p> <p>(h) Increase in profit margin</p>	(Any 4 x 1 = 4marks)
13	<p>Reasons for ethical practices in Business include:</p> <p>(a) To avoid consumer exploitation by the business</p> <p>(b) To ensure the rights of employees are upheld</p> <p>(c) To protect the environment from degradation/pollution</p> <p>(d) To ensure fair competition</p> <p>(e) To give back to the society by providing service (CSR)</p> <p>(f) Abide by government requirements e.g Pay tax</p> <p>(g) Enhance the public image of the business</p> <p>(h) Ensure no discrimination in business</p> <p>(i) Eliminate use of unfair means of achieving business objective e.g hoarding</p>	(Any 4 x 1 = 4 marks)

14.	Effects of transactions on Balance Sheet totals a) No effect b) Increase c) Increase d) Decrease	(Any 4 x 1 = 4 marks)																												
15.	Benefits of product – promotion to the producer include: (a) To counter competition (b) To increase sales volume of a given product/expand market (c) To create awareness about a product (d) To enhance customer loyalty (e) To influence/persuade the consumer to try out a new product (f) To remind consumers about the existence of a product (g) To correct misinformation about a product. (h) To improve the business image	(Any 4 x 1 = 4 marks)																												
16.	Types of unemployment: a) Seasonal unemployment b) Cyclical unemployment c) Disguised/hidden unemployment d) Voluntary/Real wage unemployment	(Any 4 x 1 = 4 marks)																												
17.	Differences between primary human wants and secondary wants include: <table border="1" data-bbox="300 1092 1291 1564"> <thead> <tr> <th colspan="2">Primary wants</th> <th colspan="2">Secondary wants</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>They are felt needs</td> <td>a)</td> <td>They are desired needs/Not felt</td> </tr> <tr> <td>b)</td> <td>Cannot be postponed</td> <td>b)</td> <td>Can be postponed</td> </tr> <tr> <td>c)</td> <td>One cannot do without/essential for survival</td> <td>c)</td> <td>Needed to improve quality of life/Can do without/Not essential for survival</td> </tr> <tr> <td>d)</td> <td>Given priority in satisfaction</td> <td>d)</td> <td>Are not prioritized in satisfaction</td> </tr> <tr> <td>e)</td> <td>All are universal</td> <td>e)</td> <td>Only some are universal/vary from one person to another</td> </tr> <tr> <td>f)</td> <td>Does not determine one's socio-economic status</td> <td>f)</td> <td>May denote/determine one's socio-economic status</td> </tr> </tbody> </table>	Primary wants		Secondary wants		a)	They are felt needs	a)	They are desired needs/Not felt	b)	Cannot be postponed	b)	Can be postponed	c)	One cannot do without/essential for survival	c)	Needed to improve quality of life/Can do without/Not essential for survival	d)	Given priority in satisfaction	d)	Are not prioritized in satisfaction	e)	All are universal	e)	Only some are universal/vary from one person to another	f)	Does not determine one's socio-economic status	f)	May denote/determine one's socio-economic status	(Any 4 x 1 = 4 marks)
Primary wants		Secondary wants																												
a)	They are felt needs	a)	They are desired needs/Not felt																											
b)	Cannot be postponed	b)	Can be postponed																											
c)	One cannot do without/essential for survival	c)	Needed to improve quality of life/Can do without/Not essential for survival																											
d)	Given priority in satisfaction	d)	Are not prioritized in satisfaction																											
e)	All are universal	e)	Only some are universal/vary from one person to another																											
f)	Does not determine one's socio-economic status	f)	May denote/determine one's socio-economic status																											
18.	Network = Asset - Liabilities Asset = 112,000 + 16,000 = 128,000 Liabilities = 24,000 + 18,000 = 42,000 Network = 128,000 - 42,000 = Sh. 86,000	(4 x 1 = 4 marks)																												

19.	<p>Reasons that may make the Government to protect consumers include:</p> <ul style="list-style-type: none"> a) To ensure harmful goods are not sold to them b) To ensure that goods offered for sale are of right weight and measure c) To protect them from overpricing/overcharging d) To prevent hoarding e) To ensure that businesses are housed in safe premises/ensure that safety standards are met f) To protect them from misleading advertisement g) To ensure that they do not buy substandard/inferior goods/false advertisement h) To protect consumers against breach of contract i) To ensure health standards are maintained j) To ensure rights of tenants are upheld k) To ensure professionals meet the set standards. 	(Any 4 x 1 = 4 marks)
20.	<p>Types of financial institutions</p> <ul style="list-style-type: none"> a) Commercial banks b) Savings and Credit Cooperative Society (SACCOs) c) Housing Finance Companies d) Development Banks 	(4 x 1 = 4 marks)
21.	<p>Benefits of electronic filing system include</p> <ul style="list-style-type: none"> a) Require little space b) Easier and fast retrieval of information c) Easily adaptable to future requirements of a firm/can be updated with a lot of ease/flexibility d) Relatively cheap e) Enhances security of stored document through passwords f) Documents stored can be accessed by people far away from site of location through internet g) Provides for back-up system h) Reduces paper work i) Enhances tidiness/neatness in the office j) Can store large volume of information k) Easily portable 	(Any 4 x 1 = 4 marks)

22.	<p>Benefits Kenya may get from being a member of East African Community include:</p> <ul style="list-style-type: none"> a) Enables Kenya to dispose of surplus products b) Enable Kenyan citizens get wider variety of goods to choose from c) Enables Kenya to specialize in producing what it has comparative advantage in d) Promotes effective utilization of locally available resources to meet the high market demands e) It enables the country to expand the market for its goods f) Enhance peace and understanding among trading East African Countries g) Facilitate transfer of technology among the East African Countries h) Enables free movement of factors of production e.g labour i) Enables creation of employment j) Enables development of infrastructure k) Enables Kenya to have a common bargaining power l) Enables Kenya to acquire goods at lower prices. 	(Any 4 x 1 = 4 marks)
23.	<p>a) Gross profit</p> $\text{Margin} = \frac{GP}{\text{Sales}} \times 100$ $40 = \frac{GP}{270,000}$ $40 = \frac{GP}{100} \times 270,000$ $= 108,000$ <p style="text-align: right;">(4 x = 2 marks)</p>	
	<p>b) Cost of goods sold</p> $GP = \text{Sales} - \text{COGs}$ $\text{COGs} = 270,000 - 108,000 \checkmark$ $\text{Cost of sales} = 162,000$ <p style="text-align: right;">(2 x = 1 mark)</p>	

	<p>c) Average stock =</p> $ROS = \frac{\text{Cost of sales}}{\text{Average stock}}$ $6 = \frac{120,000}{\text{Average stock}}$ $\text{Average stock} = \frac{162,000}{6} \checkmark$ $= 27,000 \checkmark$ <p style="text-align: right;">(4 x = 2 marks)</p>	
<p>24</p>	<p>Reasons for locating bonded warehouses at border points:</p> <ul style="list-style-type: none"> a) To control entry and exit of illegal goods b) To inspect type/nature of the good imported/expoeted c) To control the quantity of goods entering the country d) To control the entry of harmful goods/cross border smuggling of goods e) Helps in verification of documents of goods on transi f) Ease of collection of duty g) To avoid dumping by controlling the quality of goods entering the country 	<p style="text-align: right;">(Any 4 x 1 = 4 marks)</p>
<p>25</p>	<p>Services that retailers offe to consumers include:</p> <ul style="list-style-type: none"> a) Steady supply of goods leading to stable prices b) Advice to the consumers c) Credit facilities to trusted consumers d) Breaking bulk on behalf of the consumers e) Preparing the goods for sales f) Avails variety of good for consumers g) Offer after sale service h) Brings goods closer 	<p style="text-align: right;">(Any 4 x 1 = 4 marks)</p>