

**2015 Paper 1****4.29 BUSINESS STUDIES (565)****4.29.1 Business Studies Paper 1 (565/1)**

1. Reasons that would make an individual engage in business include:

- (i) Provision of goods and services.
- (ii) provision of employment.
- (iii) Exploitation of economic resources.
- (iv) Exploitation of individuals creativity/innovation/talents/hobbies/skills.
- (v) To earn a profit/income.
- (vi) To be self reliant and independent/own boss.
- (vii) To make use of spare time.
- (viii) For prestidge
- (ix) To take advantage of government incentives eg. loans for youth and women.

Any 4 @ 1 = 4 marks

2. Types of utility and the production activity associated with each of them.

<u>Utility</u>	-	<u>Production activity</u>
(i) Time	-	Warehousing /storage
(ii) Place	-	Transport
(iii) Form	-	Manufacturing/processing/construction
(iv) Possession	-	Trade/exchange

4@ 1 = 4 marks

3. Ways in which the office facilitates effective handling of documents includes:

- (i) Receiving documents
- (ii) Recording documents
- (iii) Reproducing documents
- (iv) Distributing / mailing documents
- (v) Storing/filing of documents.
- (vi) Employing qualified staff.
- (vii) Safeguarding documents.
- (viii) Provision of relevant equipment.

4@ 1 = 4 marks

4. Factors that may influence a consumer to purchase products from a kiosk rather than a supermarket include:

- (i) Kiosks may offer credit facilities without any security offered.
- (ii) Kiosks bring goods closer to consumers.
- (iii) Kiosks provide sizes/quantities consumer can afford.
- (iv) Kiosk owners have personal contact/touch with consumers.
- (v) Kiosks may be accessed beyond the normal working routine when the need arises.

- (vi) Kiosks may allow for bargaining.
- (vii) Kiosks may offer advice.
- (viii) To promote the kiosk owner.

Any 4@1 = 4 marks

5. Circumstances under which Hire purchase may be used to acquire goods include:

- (i) When the buyer does not have enough money to pay at once.
- (ii) When the product is expensive.
- (iii) When the buyer wants to use the item immediately before completing paying.
- (iv) When the buyer is a salaried employee/has regular income.
- (v) When the buyer desires to own luxurious items.
- (vi) When the buyer wants to save in the form of goods.
- (vii) When the goods are durable in nature.
- (viii) When the goods can generate income to pay the installments.

Any 4@1 = 4 marks

6. Reasons for the increased use of mobile phones in banking includes:

- (i) Safer than carrying cash.
- (ii) Easy to transact.
- (iii) It is convenient because transactions can be conducted anywhere.
- (iv) It saves on time since there is no travelling and queuing for the services.
- (v) The speed of transaction is fast.
- (vi) It reduces paper work by eliminating the need for physical files and other documentations.
- (vii) The use of PIN enhances security.
- (viii) Increased ownership of mobile phones.
- (ix) Transactions can be conducted at any time.
- (x) Reduced transaction costs.
- (xi) Easy access to transaction records.

Any 4 @ 1 = 4 marks

7. Methods of regulating business activities in Kenya include:

- (i) Licensing business activities;
- (ii) Setting of standards;
- (iii) Formulation of policies/enacting laws/legislation;
- (iv) Setting quotas;
- (v) Enforcement of laws;
- (vi) Imposing total ban;
- (vii) Subsidizing business;
- (viii) Taxation;
- (ix) Price control.

Any 4@1 = 4 marks

8. Disadvantages of using internet as a means of communication include:

- (i) Most hardware required is expensive to buy/ acquire.
- (ii) Accessing / using the internet is expensive/software;
- (iii) Requires knowledge and skills to operate;
- (iv) Prone to attack by fraudsters/hackers/lacks confidentiality;
- (v) Affected by lack / disruptions of network/links;
- (vi) It may be affected by computer virus;
- (vii) Limited internet connectivity;
- (viii) It may be affected by power failure;
- (ix) It is prone to network overload (congestion).

Any 4@1 = 4 marks

9. Differences between life assurance and general insurance include:

LIFE ASSURANCE	GENERAL INSURANCE
(i) Has surrender value	No surrender value
(ii) Long term contract	Short term contract / annual contract
(iii) Can be assigned to beneficiaries	Cannot be assigned to beneficiaries / third party.
(iv) Principle of indemnity will not apply.	Principles of indemnity applies.
(v) Assured benefits from double insurance.	Insured loses out on double insurance.
(vi) Principle of subrogation will not apply	Principle of subrogation will apply.
(vii) It deals with life	It deals with property
(viii) Risk is certain	Risk may or may not occur

Any 4@1 = 4 marks

10. Reasons for observing ethical practices in product promotion include:

- (i) Ensures fair competition among businesses.
- (ii) Ensures consumer's interests are protected eg. false advertisement, overpricing.
- (iii) Ensures that businesses comply with the law.
- (iv) It protects the environment from degradation.
- (v) Improves the image of the business.
- (vi) Maintain morality in the society/cultural values.

Any 4 @ 1 = 4 marks

11. Effects of a shift of the demand curve to the right.

- (i) The price will increase.
- (ii) The quantity demanded will increase/demand will increase.
- (iii) The equilibrium quantity shifts to the right/increases.
- (iv) The equilibrium price shifts upwards / increase.
- (v) The equilibrium shifts upwards to the right.

Any 4 @ 1 = 4 marks

12. Disadvantages to the manufacturer if wholesalers are eliminated from the chain of distribution include:

- (i) Manufacturer will have to break bulk;
- (ii) Incur cost of storage;
- (iii) Incur cost of transporting goods to the retailers;
- (iv) Incur cost of advertising / promoting products;
- (v) Bear risks associated with distribution eg. damages, fall in prices;
- (vi) Manufacturer will have to prepare goods for sale eg. blending, branding, sorting etc;
- (vii) Manufacturer will have to carry out market research;
- (viii) Manufacturer will have to give credit to retailers who are many.

Any 4 @ 1 = 4 marks

13. Correct balance sheet

**PEMBE TATU TRADERS**

Balance Sheet

As at 31<sup>st</sup> December, 2012

	Shs.		Shs.
Furniture	50,000	Capital	66,000
Stock	5,000	Bank overdraft	5,000
Debtors	7,000		
Cash	<u>9,000</u>		
	<u>71,000</u>		<u>71,000</u>

(8 ticks @ 1/2 = 4 marks)

14. Determining the capital as at 1.1.13.

Initial capital = closing capital + net loss + drawings - additional investments

$$IC = CC + NL + D - AI$$

$$= 940,000 + 20,000 + (5,000 \times 12) - 420,000$$

$$= 600,000$$

(8 ticks @ 1/2 = 4 marks)

15. Ledgers in which the following accounts are maintained.

Account	Ledger
Debtors	Sales/debtors
Machinery	General
Rent	Nominal
Capital	Private
Juma (Creditor)	Purchases/creditors

5@1 = 5 marks

16. Levels of inflation include:

- (i) Mild / moderate inflation;
- (ii) Gradual / creeping inflation;
- (iii) Galloping / hyper inflation;
- (iv) Stagflation.

Any 3 @ 1 = 3 marks

17. The documents described by the given statements

- (i) Proforma invoice
- (ii) Bill of lading
- (iii) Certificate of origin
- (iv) Freight note

4@1 = 4 marks

18. Relevant ledger accounts

Dr		Junior Account		Cr
2012		Ksh		Ksh
March 1	Purchases			-
	Returns	2,000		

  

Dr		MIMI Supplies Account		Cr
2012		Ksh		Ksh
March 3	Purchases			
	Returns	4,000		

  

Dr		Kilimanjaro Account		Cr
2012		Ksh		Ksh
March 4	Purchases			
	Returns	5,000		

  

Dr		Purchases Returns Account		Cr
		2012		Kshs
		March 4	Total for the month	11,000

12 x  $\frac{1}{3}$  = 4 marks

19. Goals of development in a country include:

- (i) Alleviation of poverty
- (ii) Attainment of high and sustainable economic growth.
- (iii) Provision of adequate social amenities eg. health facilities.
- (iv) Diversification of the economy to reduce over-reliance on a few products.
- (v) Alleviation of unemployment.
- (vi) Attainment of more equitable distribution of incomes.
- (vii) Enhancement / upholding of human freedom, rights and self esteem/democracy.
- (viii) Provision of security.
- (ix) Maintenance of political stability/good governance.
- (x) Attainment of food security for population.
- (xi) Alleviation of illiteracy.
- (xii) Technological advancement.
- (xiii) Elimination of harmful cultural practices.

Any 4@1 = 4 marks

20.

**KAHAWA TRADERS  
TRADING ACCOUNT**

For the year ended 31st December 2012

	Ksh		Ksh
Opening stock	80,000	Sales	1,200,000
Add purchases	<u>1,000,000</u>		
COGAS	1,080,000		
Less Closing stock	<u>120,000</u>		
Cost of sales	960,000		
Gross profit c/d	<u>240,000</u>		
	<u>1,200,000</u>	Gross b/d	<u>240,000</u>

(10 @ x 1/2 = 5 marks)

21. Reasons that make it necessary for firms to maintain a healthy environment include:

- (i) To protect /safeguard human health eg. employees, customers, surrounding community;
- (ii) To maintain the ecological balance;
- (iii) To conserve natural resources / raw materials;
- (iv) For sustainable economic development;
- (v) For environmental conservation;
- (vi) To comply with the set laws;
- (vii) As part of corporate social responsibility;
- (viii) To enhance corporate.

Any 4 @ 1 = 4 marks

22. Benefits of a business plan to an entrepreneur include:

- (i) Facilitates acquisition of loans from financial institutions and other financiers.
- (ii) Provides guidance for opening new or expanding existing business.
- (iii) It acts as a management / monitoring tool for the business.
- (iv) It's a tool for evaluating business performance.
- (v) It lays the strategy to be used in marketing the products.
- (vi) It enhances the credibility of the business.
- (vii) It is a motivational tool.
- (viii) To avoid mistakes.
- (ix) Proper allocation of resources.

Any 4 @ 1 = 4 marks

23. Benefits of sea transport over air transport include:

- (i) Large carrying capacity which is ideal for bulky/heavy goods.
- (ii) Sea transports large quantities of goods.
- (iii) Low cost of transportation over long distances.
- (iv) Special ships are available for carrying special goods.
- (v) Its more economical to operate.

Any 4@1 = 4 marks

24. Ways in which an investor may benefit from the stock exchange include:

- (i) Provide information on share prices that guides investors on when to buy / sell shares.
- (ii) Provide market /mechanism for buying / selling shares / other securities.
- (iii) Protecting investor interest by requiring quoted companies to maintain certain standards of management.
- (iv) Provide information on company performance that help investors to make investment decision.
- (v) Listing share prices enables investor to monitor their wealth.
- (vi) Encourage savings in form of shares.
- (vii) Enables investors to spread risks by buying different types of shares/port folio.
- (viii) Avails a variety of securities to chose from.

Any 4 @ 1 = 4 marks

25. Clauses found in the Memorandum of Association include:

- (i) Name clause
- (ii) Liability clause
- (iii) Capital clause
- (iv) Situation clause
- (v) Objects clause
- (vi) Association and subscription clause
- (vii) Declaration clause.

Any 3 @ 1 = 3 marks