KCSE PAPER 2 2018 MARKING SCHEME

4.29 BUSINESS STUDIES (565)

4.29.1 Business Studies Paper 1 (565/1)

1.	Features of labour as a factor of production include: (a) Labour is perishable/cannot be stored. (b) It is not separable from the labourer. (c) The quality of labour is variable.	
	(d) It is mobile/can move from one place to another.(e) It earns salary/wages.(f) It is a basic factor of production,	(Any 4 x 1 = 4 marks)
2.	Ways in which peace within a country may encourage entrepreneurial development include:- (a) Entrepreneurs are assured of the safety of their investment hence encouraged to invest. (b) Funds are availed for investment instead of being spent on provision of security. (c) There is free movement of factors of production which motivates trade. (d) There is free interaction between people which encourage sharing of business ideas. (e) Reduced cost of insurance due to lower risks. (f) Increased markets since even foreigners feel free to trade with the locals. (g) Stable complementary institutions like banks and warehouses which encourage business.	(Any 4 x 1 = 4 marks)
3.	Duties of the office clerk include: (a) Handling mails. (b) Duplicating and operating various office machines. (c) Filing and indexing. (d) Record keeping and simple book keeping (e) Helps in store-keeping. (f) Ordering, receiving, storing and issuing of stationery.	(Any 4 x 1 = 4 marks)
4.	 (a) Credit note (b) Circumstances under which the document is used include: (i) When correcting arithmetic error resulting into overcharge. (ii) Where the buyer has been charged higher prices than the recommended price. (iii) When items included in the invoice were not delivered. (iv) When a deserved discount is not given. (v) When the buyer has returned some goods. (vi) When empty crates /packaging for which a deposit had been paid are returned. 	(1 x 1 = 1 mark) (Any 3 x 1 = 3 marks)
5.	Measures that may be taken by the government to control inflation include: (a) Setting minimum and maximum wage limits to control salaries.	

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	1415				
	(b) Restricting				
	(c) Controlling of exports.				
	(d) Restricting terms of hire purchase and credit terms of sale.				
	(e) Price control.(f) Offer of subsidies and other incentives to local producers.				
					(44-1-
	(g) Controlling	the supply and c	irculation of mone	ey in the economy.	(Any 4 x 1 =
					4 marks)
6.	Measures that may be taken by the government to curb				
	unemploymen				
		tion of economic		47	
		population growt			
	(c) Adoption o production.		courage labour int	ensive methods of	
	-		or to create emplo	yment.	
	1 ' '	elevant education	-		
	1 ' '	g direct foreign i			
			itation and use of	locally available	
	resources.				(Any 4 x 1 =
	(h) Availing in	vestment funds tl	nrough favourable	credit like the Youth	4 marks)
	Fund and Uwezo Fund.				
7.	Benefits of national income statistics to the government include:				
	(a) Provides information on the country's economic performance over a				
	period of ti				
			used for making ed	conomic	
	policies/budgeting/planning.				¢
	(c) Provides information on the contribution of each sector of the economy				ıy
	to the national income.				
	(d) Provides a breakdown on consumer expenditure and government				
	expenditure.				
	(e) Provides information on the distribution of income.				
	(f) Provide information on the types of factor incomes in the economy.				
	(g) Provide statistics for measuring the economic growth of the country.				
	(h) Provides information that is used to measure the standard of living in				
	the country. (i) Provide information used for comparing economic performance of the				(441-
	0.50.50			omic performance of the	
	country acr	oss two or more	years.		4 marks)
8.					
	Business	Assets	Capital	Liabilities	
	A		24,266		
	В	219,800			
	С			11,990	
	D		42,295		$(4 \times 1 = 4)$
					marks)

(10

9.	Categories in which the various types of business partners may be classified include: (a) By capital contribution. (b) By extent of liability to be borne. (c) By activity (part played in the day-to-day running of the business) (d) By age.	(4 x 1 = 4 marks)
10.	Ways in which the government creates an enabling environment for the conduct of business include: (a) Provision of credit facilities at favourable rates. (b) Ensuring political stability and good will. (c) Training and educating the population to create a pool of skilled manpower. (d) Marketing of final products for producers. (e) Provision of essential social amenities like water and sewerage, health and education. (f) Favourable policies andeasy procedures like licensing, subsidies and favourable taxation.	(Any 4x1)
	(g) Provision of infrastructure.	(4 marks)
11.	 Roles of transport in the facilitation of trade include: (a) Facilitates the movement of factors of production and other inputs like raw materials. (b) Enables goods to be moved to the market from their point of production. (c) Adds value to goods and services by moving them to the point of consumption. (d) Opens up new markets. (e) Makes it possible for the exploitation of natural resources. (f) Allows for specialization since it allows people to access goods produced elsewhere. (g) Promotes mass production since goods can be moved to be stored and sold elsewhere. 	(Any 4 x 1 = 4 marks)
12.	Circumstances under which firms would form a cartel include: (a) When there is need to control output by each firm. (b) When there is need to be in control of market prices. (c) When there is need to eliminate stiff competition among the firms. (d) When there is need to restrict entry of new firms into the market. (e) When there is need to increase the firms' bargaining power. (f) When there is need to guarantee the income and financial strength of the firms	(Any 2 v 1 -
	the firms.	(Any 3 x 1 = 3 marks)

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14. Reasons for maintaining a cash book in a business enterprise include: (a) To reduce the number of entries made into the general ledger. (b) To easily avail cash balances/show cash balances at a glance. (c) To enhance specialization in book keeping by allocating different ledgers to different workers. (d) To easily monitor the cash inflow and outflow. (e) To show the sources of funds into the business. (f) To show the expenditure in the business. (f) To show the expenditure in the business. (An action (b) Haggling (Bargaining) (c) Price legislation/price control (d) Price discrimination (e) Tendering (f) Retain price maintenance (An 16. Factors that would make two people taking the same type of life assurance policy with the same insurer to pay different premiums include: (a) Differences in their ages. (b) Difference in their occupations and the risks they are exposed to. (c) Difference in their places of residence. (e) Difference in their health status.	
(b) When the manufacturer needs time to concentrate on production. (c) When he wants to avoid the high costs of distribution. (d) Where it is too expensive to distribute using the manufacture's own outlet. (e) Where wholesalers prefer to market the product under their own brand names. (f) Where the manufacturer wants to avoid marketing risks like drop in prices. (g) When the wholesaler provides ready cash while purchasing in bulk (h) Where the manufacturer needs to free storage space. 14. Reasons for maintaining a cash book in a business enterprise include: (a) To reduce the number of entries made into the general ledger. (b) To easily avail cash balances/show cash balances at a glance. (c) To enhance specialization in book keeping by allocating different ledgers to different workers. (d) To easily monitor the cash inflow and outflow (e) To show the sources of funds into the business. (f) To show the expenditure in the business. (g) When the wholesaler provides ready cash while purchasing include: (a) Auction (b) Haggling (Bargaining) (c) Price legislation/price control (d) Price discrimination (e) Tendering (f) Retain price maintenance 16. Factors that would make two people taking the same type of life assurance policy with the same insurer to pay different premiums include: (a) Difference in their ages. (b) Difference in their sum assured. (d) Difference in their sum assured. (e) Difference in their sum assured. (d) Difference in their sum assured. (e) Difference in their sum assured. (e) Difference in their sum assured. (e) Difference in their health status.	
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(d) Difference in their places of residence.(e) Difference in their health status.	
(e) Difference in their health status.	
(f) Deferring maturity period of their policies. (An	
	ny 4 x 1 = 4 marks)

17.	The lines of communication	are:			
	(a) Horizontal communication	n			
	(b) Upward vertical commun	ication			
	(c) Downward diagonal com	munication			
	(d) Upward diagonal commu	nication			$(4 \times 1 = 4)$
					marks)
18.	Books of original entry that	may be used to record	transactions		
	affecting stock are:				
	(a) Purchases journal.				
	(b) Sales journal.				
	(c) Sales returns journal/Re			,6	
	(d) Purchases returns/Returns	ns outwards journal.		C.V.	(Any 4 x 1 =
10				0	4 marks)
19.	External economies of scale	that a firm may get wl	hen operating of	n a	
	large scale include:				
	(a) Ready market from the s(b) Access to skilled labour		W.		
	(c) Enjoy improved infrastr		A CONTRACTOR OF THE CONTRACTOR		
	(d) Easy disposal of wastes.		<u>~</u>		
		ementary services like ban	king, insurance an	d	
	warehousing.				
	(f) Improved security.	~			(Any 4 x 1 =
	(g) Government support/fav	ourable policies.			4 marks)
20.	Capital owned = IC + NP -				
(a)	= 90,000 + 15	7,000 - 5,000			
	= 100,000	7.			$(4 \times \frac{1}{2}) = 2$
		0,			marks)
(b)	Acid Test Ratio = $\frac{\text{CA-Stock}}{\text{CA-Stock}}$	(%)			
	CL				
	$=\frac{20,000}{}$				mmilesef
	20,000				
	= 1:1				$(4 \times \frac{1}{2}) = 2$
					marks)
	S,				
21.		amu Enterprises			THE CANADA CALEBOOK
		Balance Sheet			
	As	at 2 nd May, 2014			
		Shs	Shs		
	The state of the s	,000 Capital	1,300,000	1 B E	
		,000 <u>S.T.L.</u>			
1	Debtors 100	,000 Creditors	250,000	To B	
	Stock <u>400</u>	,000			
	1,550	,000	1,550,000	(10 v	$\frac{1}{2} = 5 \text{ marks}$
				(IU X	12 - 3 mai ks)

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22.	Merits of indirect taxes include:-	
	(a) Tax payment is voluntary.	
	(b) It's not easily evaded.	
	(c) More revenue can be raised/covers a wide range of items.	
	(d) It is convenient/paid in bits.	
	(e) It's easy to collect at the selling point.	
	(f) It promotes equality/paid by everyone who purchases the goods.	
	(g) It's flexible.	
	(h) Can be used selectively.	
		(Any 4 x 1 = 4 marks)
23.	Ways in which the technological environment may improve business	,5
	performance include:	
	(a) Increased output/mass production.	
	(b) Lower cost per unit of production.	
	(c) Minimal incidences of fraud.	
	(d) High quality products.	
	(e) Improved business image/reputation.	
	(f) Increased sales.	
	(g) Better communication.	
	(h) Wider market/globalization.	
	(i) Faster conduct of business transactions.	(Any 4 x 1 = 4 marks)
24.	Types of ledgers into which the accounts would be found are:	
	(a) Debtors ledger/Sales ledger.	
	(b) Nominal ledger/General ledger.	
	(c) Creditors ledger/Purchases ledger.	
	(d) Cash book.	(Any 4 x 1 = 4 marks)
25.	Ways in which the introduction of money helped eliminate	
	problems faced in the conduct of barter trade include:	
	(a) Money eliminates the need for double coincidence of wants	
	since it is a medium of exchange.	
	(b) Stores the value of perishable goods by selling them and	
	keeping the money for future use.	
	(c) Ensures that commodities exchanged are of comparable value,	
	by offering a standard measure of value.	
	(d) Help in the exchange of indivisible commodities since it can be	
	divided into smaller denominations without losing value	
	(e) Money provides a unit of account by which goods and services	
	are valued unlike in barter trade.	
	(f) Money is a standard for deferred payment whereas it was not	
	possible to make payments in the future under the barter	
	system.	
	(g) Money enables the exchange of fixed property like land.	
	(5) Tribiley chables the exchange of fixed property fixe faild.	(Any 4 x 1 = 4 marks)