**Name:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Adm No.:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Candidate’s Signature**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **Date**: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**565/1**

**BUSINESS STUDIES**

**Paper 1**

**NOV/DEC 2021**

**Time: 2 hours**

**LANJET JOINT EXAMINATION 2021**

***Kenya Certificate of Secondary Education***

**565/1**

**Paper 1**

**BUSINESS STUDIES MARKING SCHEME**

**TIME: 2hours**

**INSTRUCTIONS**

*Answer ALL the questions in the spaces provided.*

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25**  **TOTAL** |
|  |  |  |  |  |  |  |  |  |  |

***This paper consists of 8 printed pages. Candidates should check the question paper to ascertain that all pages are printed as indicated and that no pages are missing.***

1. State four reasons why a consumer should satisfy basic wants before secondary wants(4mks)

* **Because they are essential for survival.**
* **They cannot be postponed.**
* **They are felt needs.**
* **Since the consumer has limited resources**

1. Outline four documents required by the registrar of companies to facilitate registration of limited liability companies(4mks)

* **Memorandum for association.**
* **Articles of association.**
* **List of directors**
* **Declaration of compliance.**
* **Directors statement**

1. A lucrative business has been constantly releasing toxic wastes into the neighbourhood.Outline four measures you can take to stop the firm from such malpractices(4mks)

* **Educating the firm on proper waste disposal methods.**
* **Taking legal actions against such a firm.**
* **Encouraging afforestation to reduce carbon (iv) oxide in atmosphere.**
* **Encouraging the use of protective gear.**

1. Highlight four reasons that may make insurance firms to decline to insure acts of nature(4mks)

* **The loss may affect many people at ago.**
* **The value of the loss may not easily be determined.**
* **The loss is unpredictable.**
* **The possibility of the loss occurring is certain.**
* **It may not be easy to determine premium to be paid**

1. The cash account below was extracted from Anestar traders during the month of march 2021.

DR ANESTAR TRADERS

CASH A/C

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| DATE | DETAILS | AMOUNT | DATE | DETAILS | AMOUNT |
| March 2 | capital | 3000 | March 3 | Purchases | 2000 |
| March 4 | sale | 1500 | March 6 | wages | 3000 |

State the possible transactions that could have given rise to the entries above

1. March 2nd

**Started a business with cash 3000**

1. March 3rd

**Bought goods/stock worth 2000 in cash**

1. March 4th

**Sold goods worth 1500 in cash**

1. March 6th

**Paid wages in cash for 3000**

**NB// the word cash should be in the transaction**

1. The government has raised the retirement age of civil servants from 55years to 60years.Highlight four effects of such a move(4mks)

* **Retention of experienced and stilled manpower**
* **High unemployment for the youth.**
* **More revenue to the government.**
* **Non-training for the employees.**
* **More savings in pension**.

1. Outline four circumstances under which business resources maybe viewed as a weakness to a firm(4mks)

* **When there is inadequate trained personnel**
* **When there is inadequate physical resources**
* **In case of inadequate finances.**
* **Where outdated inferior technology is used.**

1. Outline any four factors that may make firms communicate in writing to their staff(4mks)

* **For Confidentiality**
* **To enhance the accuracy of the message.**
* **To facilitate records for future reference.**
* **It is economical/cost effective.**
* **It is reliable/trusted means of communicating**

1. Highlight four factors that may determine the amount of revenue tobe collected through taxation(4mks)

* **Distribution of income.**
* **Social and political factors.**
* **Honesty and efficiency of tax authorities.**
* **Citizens level of real incomes.**
* **Economic structure of the country.**

1. Outline four roles played by Nairobi securities exchange in the Kenyan economy(4mks)

* **A measure of the country’s economic performance as reflected in the prices of shares**
* **Sets the price/value of securities based on the forces of demand and supply.**
* **Promotes economic growth through disinvestment and reinvestment.**
* **Promotes saving and investment among the populations**
* **Provides ready market for sale and purchase of shares hence improving liquidity.**
* **Promotes local ownership of companies through sale and purchase of shares.**

1. Highlight any four limitations of using after a sale service as a method of promoting products(4mks)

* **Consumersmay be tied to one trader who may not offer quality goods/services.**
* **Encourage careless handling of goods by the consumer**
* **Traders incur extra expenses or costs thus reducing his profit margin.**
* **Trader sells his goods at high prices leading to low volumes of sales in an effort to recover the after sales cost incurred**

1. For each of the following transactions, indicate the book of original entry in which the transaction would be recorded(4mks)

|  |  |  |
| --- | --- | --- |
|  | transaction | Book of original entry |
|  | Bought office equipments on credit | **Generaljournal/journal proper/the journal** |
|  | Received cash 30000 from Joel | **Cash receipt journal/cash rceipt day book** |
|  | Sold on credit to Mokua | **Sales journal/sales day book** |
|  | Returned goods previously bought on credit to owalo traders | **Purchasereturns/returns outward journal/returnsoutwards daybook.** |

1. Highlight four measures that a country like Kenya may take to correct unfavorable balance of payments(4mks)

* **restricting imports**
* **promoting exports**
* **devaluating home currency**
* **Encouraging foreign investment in the country.**
* **Restricting outflow of capital.**

1. Outline four circumstances under which consumer associations may find it difficult to protect consumers against exploitation.(4mks)

* **Where consumers have not reported exploitative practices to the organization.**
* **Where there is lack of political will in support of consumer’s organization.**
* **Where consumers associations lack funds to handle exploitative practices.**
* **When the consumers are ignorant of exploitative tendencies**

15**. (i) Capital owned = 2172000√ (1)**

**(ii) Borrowed capital = long term liabilities**

**= 400000 + 300000**

**= 700,000√ (1)**

**(iii) Working capital = Current assets – current liabilities**

**= 182000 – 140000**

**= 42000√ (1)**

**(iv) Capital employed = C.O + B.C = 2172000 + 700000 = 2872000 √**

**OR**

**FC + WC = 2830000 + 42000 = 2872000**

1. **x 1 = 4 marks)**

16.Thetable shows the show the quantity demanded for commodity Y per month by consumers A and B

|  |  |  |
| --- | --- | --- |
| **Price per unit(sh)** | **Quantity demanded by A** | **Quantity demanded by B** |
| 10 | 100 | 300 |
| 8 | 200 | 400 |
| 5 | 300 | 500 |
| 3 | 400 | 700 |

State for reasons why B demands more of commodity at every price than A (4mks)

**i)B maybe having higher income than A**

**ii) B may be lacking substitute for commodity Y which A has .**

**iii) B may be living in a geographical/climatical region favouring demand for commodity Y.**

**iv) B maybe having a more positive attitude towards commodity Y than A.**

17. State the term given to each of the following descriptions

1. Document used to demand payment before goods are delivered**proforma invoice**
2. Document sent by the seller to the buyers to inform him/her that goods ordered have been dispatched **advice note**
3. A document supporting a credit sale**invoice**
4. Document sent by the seller to the buyer when goods are returned**credit note**

18. Highlight four reasons why national income obtained using output approach may not give correct position of a country’s standards of living(4mks)

* **Inaccurate/in availability of output data from the private sector.**
* **Incorrectly valued illegal economic activities.**
* **Unmarked government output.**
* **Problems of fluctuation of prices.**
* **Wrong valuation of output in the subsistence sector.**
* **Failure to differentiate primary inputs from intermediate inputs which may result to double counting**.

19. State the factor of production that each of the following resourcesrelateto (5mks)

|  |  |  |
| --- | --- | --- |
|  | resource | Factor of production |
|  | manager | **labour** |
|  | quarry | **Land** |
|  | vehicle | **Capital** |
|  | water | **Land** |
|  | owner | **entrepreneurship** |

20. Give the term that best fit the following description

1. Money brought into the business by the owner.

**Capital**

1. Goodsbought for resale

**Stock**

1. Moneywithdrawn by owner of business for personal use

**Drawings**

1. Money borrowed from outsiders

**Loans (liabilities)**

21. Outlinefour features that characterize land as an economicresource(4mks)

* **unevenly distribution(distributed)**
* **has utility**
* **can change ownership**
* **Has monetary value.**
* **Has an alternative use.**

22.

**BIDII WHOLESALERS**

**TRADING ACCOUNT**

**FOR THE YEAR ENDED 30/6/1999**

|  |  |  |  |
| --- | --- | --- | --- |
| **Opening stock**  **Add: Purchases**  **Good available for sale**  **Less closing stock**  **Cost of goods sold**  **Gross profit** | **62,000**  **153,000**  **215,000**  **55,000**  **160,000**  **40,000** | **Sales** | **200,000** |
|  | **200,000** |  | **200,000** |

23. Identify four channels for distributing locally produced goods(4mks)

* local manufacturelocal consumers
* local manufacturer retailerslocal consumers
* local manufacturerwholeseller retailer local consumer
* local manufacturer govt agent retailer local consumer
* local manufacturer govt agent wholeseller retailer local consumer

***nb/The arrows must be there for every channel to be correct***

24. Outlinefour characteristics of under developed countries

* **A rapid population growth rate**
* **High dependency ratio.**
* **Presence of low per capita income**
* **Dominant subsistence sector**
* **Low saving rate.**

25. Outline three reasons why the government issue license to drivers.

* **It is a source of revenue to the govt**
* **To reduce road accidents by allowing only qualified drivers on roads**
* **To ensure that those who drive meet the minimum requirements.**
* **To ensure that drivers are responsible**