



PDF Compressor Free Version

565/1 MS
BUSINESS STUDIES
Paper 1
MARKING SCHEME
MARCH 2021

**THE KENYA NATIONAL EXAMINATIONS COUNCIL
KENYA CERTIFICATE OF SECONDARY EDUCATION
BUSINESS STUDIES
Paper 1**

**MARKING SCHEME
(CONFIDENTIAL)**

THIS MARKING SCHEME IS THE PROPERTY OF THE KENYA NATIONAL EXAMINATIONS COUNCIL AND IT MUST BE RETURNED TO THE KENYA NATIONAL EXAMINATIONS COUNCIL AT THE END OF MARKING.

This marking scheme consists of 10 printed pages.

| | | |
|----|--|-----------------------|
| 1. | <p>Factors in the external environment that may influence the operations of a business include:</p> <ul style="list-style-type: none"> a) <u>Legal/regulatory</u> issues / <u>Government policy</u> b) <u>Economic</u> factors c) <u>Sociocultural</u> factors d) <u>Technological advancement</u> factors e) <u>Physical facilities/environment</u> (infrastructure) f) <u>Demographic</u> considerations (population) g) <u>Political</u> environment. h) <u>Competitors</u> i) <u>Suppliers</u> j) <u>Natural factors</u> e.g. climate k) <u>Market / customers</u> l) <u>Security</u> | (Any 4 x 1 = 4 marks) |
| 2. | <p>Characteristics of direct production include:</p> <ul style="list-style-type: none"> a) Production is for <u>own use</u> / <u>subsistence production</u> b) <u>Low level of technology</u> is used in production c) Goods produced are often of <u>low quality</u> d) ^{goods} Goods are produced in <u>small quantities</u> / <u>no surplus produced</u> e) The <u>producer is involved in all stages/processes</u> of production / <u>lack of division of labour</u> f) The producer <u>earns no extra income</u> g) The producer's <u>living standards</u> is low for lack of variety h) The producer <u>strives to produce a variety</u> of commodities / <u>lack of specialisation</u> | (Any 4 x 1 = 4 marks) |

| | | |
|----|--|---|
| 3. | <p>The documents described in the statements are:</p> <p>a) <u>Proforma invoice</u></p> <p>b) <u>Quotation</u></p> <p>c) <u>Advice note</u></p> <p>d) <u>Credit note</u></p> | (4 x 1 = 4 marks) |
| 4. | <p>Reasons for government involvement in business include:</p> <p>a) To <u>provide subsidized essential services</u> / <u>at low cost</u> (most be essential)</p> <p>b) To <u>protect citizens from exploitation</u></p> <p>c) To <u>create employment</u></p> <p>d) To <u>earn revenue</u></p> <p>e) To <u>stimulate economic growth</u></p> <p>f) To <u>venture into businesses requiring large capital investment</u> beyond the capability of private investors</p> <p>g) To <u>provide commodities that are too sensitive to be left in the hands of private investors</u> e.g. printing of money and manufacture of firearms</p> <p>h. To <u>prevent foreign dominance of the economy</u></p> <p>i) To <u>provide commodities which private investors are unwilling to venture into due to low profit</u></p> <p>j) <u>safeguard national interest by controlling strategic industries</u></p> <p>k) <u>to attract foreign investment.</u></p> | (Sensitivity is not expensive) (Any 4 x 1 = 4 marks) |
| 5. | <p>Factors that may lead to a negative shift in demand include:</p> <p>a) <u>Decrease in consumer's income</u></p> <p>b) <u>Unfavourable government policies</u> (increased taxes, strict licensing)</p> <p>c) <u>Decrease in population</u></p> <p>d) <u>Future expectation that prices will decline</u></p> <p>e) <u>Unfavourable/off peak season</u> for particular commodities</p> <p>f) <u>Negative taste & preference</u> for a particular product (out of fashion)</p> <p>g) <u>Availability of better substitutes</u></p> <p>h) <u>Reduced prices of substitute goods.</u></p> <p>i) <u>Increase in price of complementary goods</u></p> <p>j) <u>Unfavourable terms of sales</u></p> | (Any 4 x 1 = 4 marks) |

| | | |
|----|---|--|
| 6. | <p>Circumstances under which a trader would prefer to transport goods by air include:</p> <ul style="list-style-type: none"> a) <u>When the goods are perishable</u> b) <u>When goods are urgently required</u> c) <u>When securing highly valuable goods</u> d) <u>When accessing remote areas</u> (not accessed by other means) / <i>only means available</i> e) <u>When goods are to be delivered over a long distance</u> f) <u>When the business can afford to use it.</u> g) <u>Where it is the most easily accessible.</u> h) <u>When it is the policy of the business to transport goods by air</u> | (Any 4 x 1 = 4 marks) |
| 7. | <p>Total asset = 20,000 + 1,500 + 2,000 + 4,000 = 27,500</p> <p>Capital = 24,000</p> <p>Assets = Capital + Liabilities</p> <p>∴ Liabilities = Assets - Capital</p> <p style="margin-left: 40px;">= (27,500 - 24,000) ✓</p> <p style="margin-left: 40px;">= 3,500 ✓</p> | <p>Balance method accepted.</p> <p style="margin-left: 100px;">$6\frac{1}{2} =$</p> <p>(Any 6 x $\frac{1}{2}$ = 3 marks)</p> |
| 8. | <p>Services that commercial banks offer to their customers</p> <ul style="list-style-type: none"> a) <u>Accepting deposits</u> (from clients) b) <u>Lending money to clients</u> c) <u>Safekeeping of valuable items</u> d) <u>Effects payments for clients</u> / <i>money transfer services</i> e) <u>Providing foreign exchange services</u> f) <u>Giving investment advice to clients</u> g) <u>Guarantor to their customers when taking loans with other financial institutions.</u> | (Any 4 x 1 = 4 marks) |
| 9. | <p>Reasons that may make Kenya restrict trade with other countries include</p> <p><i>li) Acts as a referee (ii) Acts as a trustee (iii) provision of night safes</i></p> | |

| | | |
|-----|---|-----------------------|
| | <p>a) To <u>protect local infant industries</u> from unhealthy competition</p> <p>b) To <u>safeguard</u> against overdependence on foreign firms for essential commodities</p> <p>c) To <u>raise revenue</u> through tariffs</p> <p>d) To <u>prevent dumping</u> of substandard goods in the country.</p> <p>e) To <u>curb</u> against borrowing of unacceptable foreign culture</p> <p>f) To <u>correct unfavourable balance of payments</u></p> <p>g) <u>To restrict entry of harmful goods</u></p> <p>h) <u>to protect strategic industries</u></p> <p>i) <u>to create employment opportunities</u></p> <p>j) <u>To make use of natural local resources.</u></p> | (Any 4 x 1 = 4 marks) |
| 10. | <p>Classification of resources:</p> <p>a) <u>Human</u></p> <p>b) <u>Man-made/artificial</u></p> <p>c) <u>Natural</u></p> <p>d) <u>Human</u></p> | (4 x 1 = 4 marks) |
| 11. | <p>Sources of capital for a sole proprietorship include:</p> <p>(a) <u>Owner's savings</u></p> <p>(b) <u>Contribution froms friends/relatives</u></p> <p>(c) <u>Borrowing</u> from financial institutions/friends</p> <p>(d) <u>Credit buying</u> (Trade credit, hire purchase)</p> <p>(e) <u>Ploughing back profits/retained earnings</u></p> <p>(f) <u>Inheritance</u></p> <p>(g) <u>Leasing & renting of assets</u></p> <p>h) <u>Renting of assets</u></p> | (Any 4 x 1 = 4 marks) |
| 12. | <p>Circumstances under which firms may be located near the source of raw materials include:</p> | |

13, where, when a increase ~~input~~ must be used

PDF Compressor Free Version

- (a) When it is cheaper to transport finished goods than raw materials
- (b) Where the firm needs to ease handling of bulky raw materials
- (c) When dealing with highly perishable raw materials to avoid spoilage
- (d) If the government policy requires the firm to be located near the source of raw materials
- (e) Where the firm wants to control an important raw material
- (f) Where the raw materials are fragile/brittle
- (g) Where the raw material is dangerous to carry over long distances

(Any 4 x 1 = 4 marks)

(d.) Where the firm needs to easily handle heavy raw materials.

13

Kombo Traders

Trial Balance

As at 30th April, 2018 ✓

| Particulars | Dr. Shs. | Cr. Shs. |
|--------------------|------------------|----------------|
| Land and buildings | 150,000 ✓ | |
| Motor car | 120,000 ✓ | |
| Bank | 4,000 ✓ | |
| Cash | 25,500 ✓ | |
| Creditors | | 1,500 ✓ |
| Sales | | 5,000 ✓ |
| Purchases | 18,000 ✓ | |
| Capital | | 311,000 ✓ |
| TOTALS | 317,500 ✓ | 317,500 |

Must be correct format (No T-account)

(10 x $\frac{1}{2}$ = 5 marks)

14.

Reasons that would make an entrepreneur to prepare a business plan include:

- a) To foresee and avoid mistakes that could be committed in future

PDF Compressor Free Version

| | | |
|------------|--|------------------------------|
| | <p>b) To identify strengths and devise ways of dealing with the weaknesses of the business</p> <p>c) It's a requirement by financiers</p> <p>d) To help determine required resources and allocate them appropriately</p> <p>e) To enable an entrepreneur identify potential market</p> <p>f) To enable the business organization avoid goal blindness</p> <p>g) To allocate resources appropriately</p> <p>h) To use it as a monetary tool</p> <p>i) To able to motivate employees</p> <p>j) To adapt to future changes</p> | <p>(Any 4 x 1 = 4 marks)</p> |
| <p>15.</p> | <p>Office equipment described in the statements are:</p> <p>(a) <u>Franking machine</u></p> <p>(b) <u>Telephone/radio call</u></p> <p>(c) <u>Safe/cabinet</u></p> <p>(d) <u>Dictaphone/dictating machine/recorder</u></p> | <p>(4 x 1 = 4 marks)</p> |
| <p>16.</p> | <p>Sources of government revenue include:</p> <p>a) <u>Court fines</u></p> <p>b) <u>Rent & rates received for use of government property</u></p> <p>c) <u>License fees (License)</u></p> <p>d) <u>Dividends & profits earned from its investments</u></p> <p>e) <u>Taxes</u></p> <p>f) <u>Internal borrowing</u></p> <p>g) <u>External borrowing</u></p> <p>h) <u>proceeds from sales government property</u></p> <p>i) ESchates <u>ESchetes</u></p> <p>j) <u>Interest earned on loans</u></p> <p>k) <u>Grants and donations</u></p> | <p>(Any 4 x 1 = 4 marks)</p> |
| <p>17.</p> | <p>Measures which may be taken by the government to correct under development include:</p> <p>a) <u>Increasing (government.) investments to create more job opportunities</u></p> | |

| | | | | | | | | |
|------------|---|------------------------------|--|----|---|----|-----------------------------------|--|
| | <p>b) <u>Control population explosion</u> to reduce overdependence & pressure on resources</p> <p>c) <u>Improve infrastructure</u> to ease communication, movement and access to inputs</p> <p>d) <u>Improve technology</u> for maximum utilization of natural resources</p> <p>e) <u>Improve education system</u> to alleviate illiteracy & impart appropriate skills</p> <p>f) <u>Income redistribution</u></p> <p>g) <u>Invest in social amenities</u> to foster welfare,</p> <p>h) <u>provision of incentives to promote culture of savings and investment</u></p> <p>i) <u>Encourage good governance to promote self reliance</u></p> <p>j) <u>Sensitising and legislating on outdated cultural practices</u></p> | <p>(Any 4 x 1 = 4 marks)</p> | | | | | | |
| <p>18.</p> | <p>Benefits of personal selling to a trader include:</p> <p>a) The trader is able to reach both literate and illiterate customers</p> <p>b) <u>Able to demonstrate the uses and capabilities</u> of a product</p> <p>c) The trader is able to <u>get immediate feedback</u></p> <p>d) <u>Can tailor the presentation to suit the needs of individual customers</u></p> <p>e) Facilitates <u>establishment of interpersonal relationship</u> with clients which promotes repeat purchaser / <u>create customer loyalty</u></p> <p>f) Enables the trader to <u>focus on a targeted group of customers</u></p> <p>g) Seller has <u>opportunity to get information on competitors</u> from the buyers</p> <p>h) <u>May promote instant sales</u></p> <p>i) <u>It's more persuasive and convincing customer</u></p> | <p>(Any 4 x 1 = 4 marks)</p> | | | | | | |
| <p>19.</p> | <p>Distribution channels that can be used for imported goods include:</p> <table border="1" data-bbox="254 1702 1131 1870"> <tr> <td>a)</td> <td>foreign producer → agent → ^{local} wholesaler → retailer → consumer</td> </tr> <tr> <td>b)</td> <td>foreign producer → local wholesaler → retailer → consumer</td> </tr> <tr> <td>c)</td> <td>foreign producer → local consumer</td> </tr> </table> | a) | foreign producer → agent → ^{local} wholesaler → retailer → consumer | b) | foreign producer → local wholesaler → retailer → consumer | c) | foreign producer → local consumer | |
| a) | foreign producer → agent → ^{local} wholesaler → retailer → consumer | | | | | | | |
| b) | foreign producer → local wholesaler → retailer → consumer | | | | | | | |
| c) | foreign producer → local consumer | | | | | | | |

| | | |
|------------|--|-----------------------|
| | d) foreign producer → local wholesaler → consumer | (Any 4 x 1 = 4 marks) |
| | e) foreign producer → local retailer → consumer | |
| | f) Foreign producer → local agent → wholesaler → retailer → consumer | |
| | g) Foreign producer → local producer → local producer rep → wholesaler → retailer → consumer | |
| 20. (a) | <p>Merits of a bonded warehouse to the government include:</p> <ul style="list-style-type: none"> a) Enable the government to <u>earn revenue</u> b) Enable the government to <u>control the quality / quantity of goods imported</u> c) Helps the government <u>prevent importation of harmful commodities</u> d) Enables the government to <u>curb tax evasion</u> e) Helps the government <u>collect statistics on imported goods / or goods on transit</u> f) Enables the government to <u>inspect illegal goods entering the country / type of goods</u> g) It helps the government <u>solve the problem of unemployment</u> h) <u>Enables the government control quantity of goods imported</u> | Any 4 x 1 = 4 marks |
| 21. | <p>The source documents are</p> <ul style="list-style-type: none"> a) <u>Outgoing credit note / issued credit note</u> b) <u>Purchases invoice / incoming invoice / received invoice</u> c) <u>Copy of cash sale receipt / cash book receipt</u> d) <u>Sales invoice / outgoing invoice / issued invoice</u> | (4 x 1 = 4 marks) |
| 22. | <p>Ways through which leakages of national income may happen in a four sector economy include:</p> <ul style="list-style-type: none"> a) <u>Savings by households</u> b) <u>Government taxes on citizens and firms</u> c) <u>Payment for imports</u> d) <u>Transfer payments by government</u> e) <u>Foreign aid and grants by government</u> f) <u>Retained profits by firms</u> | (Any 4 x 1 = 4 marks) |
| 23. | <p>Benefits of using computers in an office include:</p> <ul style="list-style-type: none"> a) <u>Facilitates easy communication through the internet</u> b) <u>They are efficient in preparation and reproduction of documents / saves time</u> c) <u>They reduce paperwork</u> d) <u>They are capable of storing huge volumes of information</u> e) <u>Facilitates easy access to information (retrieving information)</u> | |

| | | |
|-----|---|------------------------------|
| | <p>f) They facilitate e-commerce PDF Compressor Free Version g) Its output is <u>presentable / neat</u> ("No" <u>finger</u> of the office) h) It <u>enhances security of documents</u> (information) i) It's <u>labour saving</u></p> | <p>(Any 4 x 1 = 4 marks)</p> |
| 24. | <p>Identifying factors of production relating to the resources: a) <u>Labour</u> b) <u>Capital</u> c) <u>Land</u> d) <u>Entrepreneurship</u> (no <u>entrepreneur</u>)</p> | <p>(4 x 1 = 4 marks)</p> |
| 25. | <p>Sources of business ideas include: a) <u>Print media</u> e.g. <u>news paper, Soukris and magazines</u> b) <u>Electronic media</u> e.g. <u>Television, computer</u> c) <u>Vocational training</u> d) <u>Hobbies / Talents</u> e) <u>Listening to what people say</u> f) <u>Unutilized waste materials</u> g) <u>Observing established entrepreneurs / role models</u> h) <u>Experience</u> i) <u>Research and development / Surveys</u> j) <u>Shows and exhibitions</u> k) <u>spotting a market gap / niche</u> l) <u>Brainstorming</u> m) <u>Business Seminars / Workshops</u></p> | <p>(Any 4 x 1 = 4 marks)</p> |