

Name..... Index No:.....
565/1 Candidate's Signature
BUSINESS Date:
PAPER 1
JULY/AUGUST-2015
Time: 2 Hours

KAKAMEGA CENTRAL SUB-COUNTY JOINT EVALUATION EXAM

Kenya Certificate of Secondary Education (K.C.S.E.)

BUSINESS STUDIES
PAPER 1
TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

- Write your **name** and **index number** in the spaces provided above
- **Sign** and write the **date** of examination in the spaces provided.
- Answer **all** the questions.
- All answers should be written in the spaces provided in this booklet.
- Candidates should answer all questions in English

For Examiners Use Only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	19	20	21	22	23	24	25	
Marks																									

TOTAL MARK

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

1. Outline **four** element that may comprise the external environment of a business. (4 mks)

- (i)
- (ii)
- (iii)
- (iv)

2. Name the factor that each of the following resources relate to (4mks)

Resource	Factor of production
i) Manager	
ii) Vehicle	
iii) Cotton	
iv) Owner	

3. Company XYZ is leading company that deals with product A. state four reasons why it is necessary for the company to prepare a plan. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

4. Highlight **four** reasons why firms tend to be localized in a particular area. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

5. Outline **four** disadvantages of containerization to a trader. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

6. State the **four** principles that govern the co-operative societies in Kenya. (4mks)

- (i)
- (ii)

- (iii)
- (iv)

7. Outline **four** features of a service. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

8. Personal selling is becoming popular in Kenya today. State four circumstances when it is appropriate (4mks)

- (i)
- (ii)
- (iii)
- (iv)

9. Outline four circumstances under which a company may need to re-insure. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

10. Name the source document to which each of the following descriptions relate

Description	Source Document
i) Issued by seller to a buyer for cash paid	
ii) Used for processing and authorizing payment	
iii) Sent to a credit buyer to demand payment	
iv) Used to correct overcharge	

11. The following information relates to kakamega Traders for the year ended 31st Dec 2014

Carriage on sales	16000
Gross profit b/d	60000
Dividend received	10000
Insurance	8000

General expenses

6000

Required

Prepare the profit and loss account of Kakamega Traders for the year ended 31stDec 2014. (4mks)

12. Highlight **four** reasons why horizontal communication is necessary in an organization. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

13. Outline **four** important documents that are required in the registration of a public company. (4mks)

- (i)
- (ii)
- (iii)
- (iv)

14. Outline the purpose of a trial balance as used in book keeping. (4mks)

- (i)
- (ii)

(iii)

(iv)

15. State **four** demerits to a business that uses its own warehouse. (4mks)

(i)

(ii)

(iii)

(iv)

16. State the ledger in which the following accounts are kept . (4mks)

	Accounts name	Type of ledger
i)	Drawing	
ii)	Return inwards	
iii)	Salary	
iv)	Patel tenders (Creditor)	

17. Visitors to the offices of triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight four measures that the secretaries can take to improve the office etiquette (4mks)

(i)

(ii)

(iii)

(iv)

18. Classify the following as either assets or liabilities. (4mks)

	Item	Classification
i)	Creditors	
ii)	Pre- paid insurance	

iii)	Rent owing	
iv)	Debtors	

19. The following account balances were obtained from the books of Zolo Traders on 30th June 2013

	Kshs
Motor vehicle	240,000
Buildings	200,000
Current Liabilities	440,000
Current assets	420,000
Furniture	60,000
Capital	480,000

Required Prepare a trial balance for Zolo traders as at 30th June 2013

20. Give **four** disadvantages of long chain of distribution of goods to a buyer (4mks)

- (i)
- (ii)
- (iii)
- (iv)

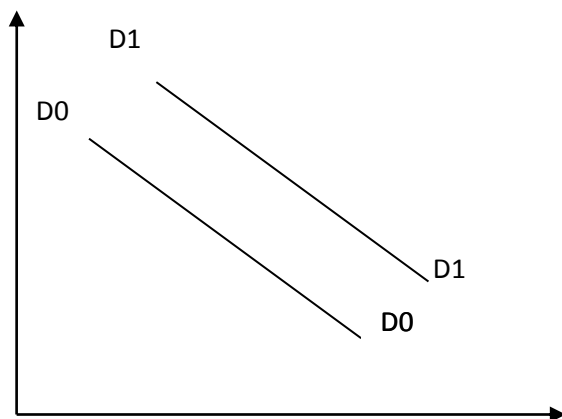
21. The following information relates to Wafula traders for the year ended 31st Dec 2014

Capital 1.1.2014	250,000
Additional investment	68,000
Drawing	92,000
Profit	180,000

Required: Calculate the capital of Wafula traders as at 31st Dec. 2014

(4mks)

22. The diagram below shows a shift in demand curve from D_0D_0 to D_1D_1



Identify **four** factors that have made the demand curve to shift from D_0D_0 to D_1D_1 (4mks)

- (i)
- (ii)
- (iii)
- (iv)

23. State **four** types of market structures (4mks)

- (i)
- (ii)
- (iii)
- (iv)

24. Outline **four** factors influencing the level of national income in a country (4mks)

- (i)

- (ii)
- (iii)
- (iv)

25. State **four** components of business studies (4mks)

- (i)
- (ii)
- (iii)
- (iv)

**KHWISERO SUB-COUNTY JOINT EVALUATION EXAMS
BUSINESS 565/2
MARKING SCHEME**

1. (a) Features of ordinary shares
 - i). Unit of capital- holders are owners of the company
 - ii). Earn dividend-as a return on investment
 - iii). Usually irredeemable-they form a permanent source of capital
 - iv). No fixed rate of return-dividends paid depend on the amount of profit earned /vary from year to year
 - v). Have a greater risk-holders stand to lose most incase of losses /insolvency
 - vi). Have full voting rights-on all decisions to be made/passed during AGM
 - vii). Refunded shares capital last in the event of dissolution/winding up of the company (5x2=10mks)
- (b) Reasons that may limit Kenya’s ability to exploit her natural resources
 - i). Inadequate capital- to finance production activities
 - ii). Inadequate skilled labour-to be employed in speacialized /complicated work/that can be creative /innovative.
 - iii). Unfavourable government policies-that discourage investment in certain areas.
 - iv). Poor technology-which limits value addition in production processes
 - v). Lack of market-due to stiff competition/high levels of poverty.
 - vi). Poor entrepreural culture- which limits ability to start business/take risks (5x2=10mks)
2. (a) Differences between central Bank and Commercial Banks

Central Bank	Commercial Bank
i). Banker to the government/commercial banks	(i) Banker to individuals/other businesses
ii). Issue of currency/print/mint money	(ii) Circulate currency/Do not print /mint money
iii). Set up by an Act of parliament	(iii) Set up under the companies act
iv). Manages the countries foreign exchange reserves	(iv) Only allowed to buy/sell foreign exchange on behalf of the central bank
v). Financial/economic advisor to the government	(v) Provides financial advice to individual/other businesses
vi). Credit control/Regulates amount of money in the circulation economy	(vi) Do not control credit/only act of directions by central bank on credit control

(5x2=10mks)

- (b) Factors that may lead to under-population in a country
 - i). Low birth rate-leading to fewer live children being born each year
 - ii). High death rate-leading to a large number of people dying in a very short time/every year
 - iii). Low fertility rate-among women in the child bearing age
 - iv). High infant mortality rate-due to a high number of child deaths
 - v). Epidemic /natural calamity-which may claim a large number of people if not controlled
 - vi). Large scale wars/conflicts-leading to heavy losses of life over a prolonged period (5x2=10mks)
3. (a)

**Jumbo Traders
Balance Sheet
As at 31st Dec 2014**

ASSETS			CAPITAL AND LIABILITIES		
FIXED ASSETS	Sh	sh		Sh	Sh
Land and building	50,000√		Capital	94,000√	
Plant and machinery	20,000√		Less Drawings	4,000√	90,000
Motor vehicles	30,000√	100,000			
			Long-term liabs		
Current assets			10 Year Loan	20,000√	
Stock	10,000√		6 year ICDC Loan	10,000√	30,000
Debtors	6,000		Current Liabs		
Cash at Bank	10,000√		Creditors	7,000√	

Cash at hand	2,000√	<u>28,000</u>	Rent owing	<u>1,000</u> √	<u>8,000</u>
		128,000			<u>128,000</u>

(14x ½ =7mks)

(i)(a) Working capital =current assets –current liabilities

$$=28,000\sqrt{-8,000\sqrt{}}$$

$$=20,000\sqrt{ \quad (4x \frac{1}{2} =2mks)}$$

(b) Capital employed =Fixed assets + working capital

OR

=capital + long term Liabilities

$$CE=FA+WC=100,000+20,000$$

$$=120,000$$

4x ½ =1mk

OR

$$CE=C+LTL=90,000+30,000$$

$$=120,000$$

(c) Borrowed capital =long term liabilities

$$=20,000+10,00\sqrt{}$$

$$=30,000\sqrt{}$$

(4x ¼=1mk

(b) Limitation of oral communication

- i). No record- for future reference
- ii). Costly/expensive- where sender and receiver are far apart
- iii). May not be suitable for confidential messages since unauthorized person may listen in
- iv). Limited reach-especially where the audiences is large/widespread
- v). Inappropriate gestures/body language-may lead to message being misinterpreted /communication being ineffective.
- vi). Not suitable for technical/complicated messages e.g technical drawings/charts (4x2=8mks)

4. (a)Ways in which insecurity negatively affects running of business activities

- (i) Scare away investors-leading to low/poor investments
- (ii) Fear/mistrust-among communities/people may impede interaction /movement
- (iii) economic losses- due to destruction of property/investments
- (iv) May cause shortages-since goods/services may not flow freely /reach markets
- (v) Low production/productivity-due to difficulty in accessing inputs/raw materials/destruction of inputs
- (vi) High costs of doing businesses-since investors have to finance their businesses/investments/insure their businesses /workers (5x2=10mks)

(b) Principles of Insurance

- (i) Insurable interest-exists where due to occurrence of a risk the insured is bound to suffer financial loss personally.
- (ii) Indemnity-Is the restoration of the insured to his/her former financial position before the loss occurred
- (iii) Utmost good faith/uberimae fidei-Puts an obligation to both insured and insurer to disclose all the material facts relating to the insurance contract
- (iv) Proximate cause-The cause of loss should have a direct/fairly close connection with the actual /real risk insured against
- (v) Contribution-Incase one insures property with two or more insurers to cover the same risk, the insurers will share propörtinately /pro rata when it comes to compensation
- (vi) Subrogation-One insured is compensated fully the insurer acquire all the rights in the destroyed property

Stating -1mk

Explanation-1mk

NB Where the principle has not been stated the candidate will not earn any mark

5. (a) Circumstance under which a firm may locate near the source of raw materials

- (i) if they are bulky /heavy-making it costly difficult to transport to the factory.
 - (ii) If they are highly perishable to avoid losses /them going bad/being damaged
 - (iii) Government policy –where the firm may have no alternative but to comply
 - (iv) Stiff competition-so as to access them first/faster before other firms
 - (v) Where the market for its goods is also concentrated near the source so as to serve/access the buyers easily /cheaply
 - (vi) If it is a subsidiary company/firm which relies on waste from primary firm as the source of its inputs (5x2=10mks)
- (b) Errors that a trial balance may not show
- (i) Error of omissions-no record/ entry of transaction is made in the ledger accounts
 - (ii) Error of commission-a transaction is recorded in the wrong account but of the same class with the correct account in which the entry should have been made (NB: Accept an illustration as explanation)
 - (iii) Error of principle- a transaction is recorded in the wrong account and also of the wrong class from that in which the entry should have been made (NB accept an illustration as explanation)
 - (iv) Error of compensation-the effect of the error in the different accounts is such that it cancels out the other. (NB Accept on illustration as explanation)
 - (v) Error of complete reversal of entries-where an account to be debited is credited and the one to be credited is debited
 - (vi) Error of original entry-where transposed figures of the correct amount are entered as debit and credit entries in the correct accounts.(NB Accept an illustration as explanation) (5x2=10mks)
6. (a) Benefits of filing documents
- (i) Tidiness /cleanliness –since papers are well arranged
 - (ii) Proper storage-for future reference
 - (iii) Safety-against loss/damage by pests/bad weather
 - (iv) Security-against theft
 - (v) Saves time-as it aids in quick retrieval when needed
 - (vi) Confidentialty –since documents are kept away from unauthorized access (5x2=10mks)
- (b) Measuree the government can take to reduce income inequalities
- (i) Equitable development-its expenditure should be spread fairly across all sectors/regions of the economy/country
 - (ii) Creation of jobs-to enable as many people as possible to earn income from employment
 - (iii) Fair taxation policies-to ensure that those who earn more are taxed higher/more than those who earn less
 - (iv) Affirmative action-in order to assist economically marginalized groups/people/regions to uplift themselves economically
 - (v) Provision of loans-to assist /encourage people to start businesses to earn an income
 - (vi) Social welfare-provide a living income to the old/aged unemployed
 - (vii) Provide social amenities /schools/hospitals-free at subsidized costs to the general public (5x2=10mks)