

# LAIKIPIA EAST TERM 2 2022 FORM 4 EVALUATION EXAM

Kenya Certificate of Secondary Education – K.C.S.E

565/1

**BUSINESS STUDIES**

**PAPER 1**

**MARKING SCHEME**

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**1. Factors that you would consider before extending credit facilities to a customer.**

- Frequency of buying.
- Availability of stock.
- Credit worthiness.
- Type of goods needed.

*Any other relevant @ 1 x 1 Mark = 4 Marks*

**2. Characteristics of human wants.**

- Insatiable.
- Competitive.
- Some are universal.
- Complimentary.
- Habitual.

*Any other relevant @ 1 x 1 Mark = 4 Marks*

**3. The figures represented by a, b, c, and d**

- a) shs. 200,000.
- b) shs 400,000.
- c) shs. 350,000.
- d) shs 420,000.

*Any other relevant @ 1 x 1 Mark = 4 Marks*

**4. Principles that govern the operations of co-operative societies in Kenya.**

- Voluntary membership.
- Democratic administration.
- Education for members.
- Limited interest on share capital.
- Dividend to members.

*Any correct 4 @ 1 Mark = 4 Marks*

**5. Limitations posed by the use of national income statistics as a way of comparing the living standards of people for different countries.**

- Use of different currencies
- Varied preferences and tastes
- Varied distribution.
- Inaccurate statistics

*Any 4 correct points x 1 = 4 Marks*

**6. Merits associated with internal borrowing.**

- No strings attached.
- Can also solve inflation problems.
- Maintains sovereignty.
- Is flexible.
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*Any 4 correct points x 1 = 4 Marks*

**7. Measures you would advice the government of Kenya to apply so as to curb the inflationary tendencies the country is currently experiencing.**

- Open Market operations.

- Selective credit control.
- Moral suasion.
- Raising lending rates.
- Waive duty on affected items.

*Any 4 relevant points 4 x 1 = 4 Marks*

**8. State four limitation of barter trade.**

- hinder specialisation.
- lacks unit of account.
- lack of standard differed payment.
- i convenience in transportation of some good.
- perishability of some goods.
- i divisibility of some commodities.
- lack standard measure of value.
- require double coincidence of wants.

- *Any 4 relevant points x1 = 4 Marks*

**9. State four way through which a firm may acquire monopoly position.**

- very high initial capital
- restrictive practices.
- where firms combine to act as one.
- additional costs by other firms
- size of the market.
- existence of internal economies of scale .
- ownership of production rights.
- control of an important input in production.

*Any four relevant points1 x4 = 4 Marks*

**10. Determine Kimeu's capital as at 31<sup>st</sup> Dec 2010**

$$\begin{aligned}
 \text{Closing capital} &= \text{opening capital} + \text{investment} + \text{profit} - \text{drawing} \\
 &= 100,000 + 25,000 + 40,000 - 45,000 \\
 &= 165,000 - 45,000 \\
 &= 120,000
 \end{aligned}$$

*Note: correct answer only 4 Marks*

**11. Features of labour as a factor of production**

- Mobility.
- Can't be separated from the labourer.
- Human i.e. it's human.
- Can be improved.
- A basic factor of production.

**12. Some documents used in home trade.**

- (i) Debit Note
- (ii) Letter of inquiry
- (iii) Advice note
- (iv) Profoma invoice

*1 x 4 = 4marks*

**13. Reasons why governments participate in business.**

- Provide essential goods / services.
- Generate revenue.
- Protect consumers against exploitation.

- Invest in ventures needing large capital outlay.

*Any relevant points @ 1 Mark 4 x 1 = 4 Marks*

**14. Four features of an oligopolistic type of Market**

- Few firms.
- Interdependence of firms.
- Experiences a kinked demand curve.
- Firm are relatively large.

*Any four correct points @ 1 Mark x 4 = 4 Marks*

**15. Entering transactions in the relevant ledger accounts.**

Capital A/c		Bank A/c	
Dr	Cr	Dr	Cr
	150,000	150,000	
Purchases A/c		Cash A/c	
Dr	Cr	Dr	Cr
10,000			10,000

*4 x 1 = 4 Marks*

**16. Possible errors that may not be detected by a trial balance.**

- Compensating error.
- Complete error.
- Error of principle.
- Error of original entry.
- Error of commission. *Any correct four @1 Mark = 4 Marks*

**17. Circumstances under which a producer would opt to sell his goods directly to his customers.**

- If perishable.
- If technical in nature needing demonstration.
- If the market is small.
- If the market is concentrated in one area. *Any correct point @ 1 Mark x 4 = 4 Marks*

**18. Balance sheet of Kazu Traders as at 30<sup>th</sup> June 2010.**

**KAZU TRADERS**

**BALANCE SHEET √ 1 mk  
AS AT 30<sup>TH</sup> JUNE 2010**

ASSETS	SHS	CAPITAL & LIABILITIES	SHS
Furniture	20, 000 √ 1 mk	Capital	348, 000 √ 1 mk
Debtors	30, 000 √ 1 mk	Less loss	45, 000 √ 1 mk
Cash in hand	25, 000 √ 1 mk	Net loss	303, 000 √ 1 mk
Delivery van	280, 000 √ 1 mk	Liabilities	
Stock	50, 000 √ 1 mk	Creditors	42, 000 √ 1 mk
Cash at bank	60, 000 √ 1 mk	Bank loan	120, 000 √ 1 mk
	465, 000		465, 000

*Total ticks 12/3 = 4*

*Marks*

**19. Gaps in the Market that may provide an opportunity to an entrepreneur.**

- Insufficient / few products.
- High prices.
- Poor quality goods.
- Untapped market.

*Any four correct point @ 1 Mark x 4 = 4 marks*

**20. Reasons why an insured may not be compensated despite an insured risk occurring.**

- Wrong claiming procedure.
- Cause of the risk was deliberate.
- Late / delayed reporting.
- Insurer had no funds / bankrupt.
- Had lied.

*Any 4 correct points @ 1 Mark x 4 = 4 Marks*

**21. State four characteristics of economic (4mk).**

- \_ they have monetary value.
- \_ they are scarce.
- \_ they are unevenly distributed.
- \_ they have alternative uses.
- \_ some complement each other.
- \_ they can be combined.
- \_ they have utility.
- \_ some are natural and others are artificial.

**22. Ways through which a consumer may be exploited.**

- Through high pricing / prices
- Underweight goods
- Expired goods.
- Stock hoarding
- Less measurement etc

*Any four correct points @ 1 Mark x 4 = 4 Marks*

**23. Give four differences between an ordinary share and a preference share**

ORDINARY SHARE	PREFERENCE SHARE
(i) Paid dividend after preference shares	(i) Paid dividends before ordinary share
(ii) Have voting rights	(ii) No voting rights
(iii) Are not cumulative in nature	(iii) May be cumulative nature
(iv) Possessors own the company	(iv) Possessors are not owners of the co

*Any four good differences @ 1 Mark x 4 = 4 Marks*

**24. The amount Kim should get from the insurer.**

$$\text{Compensation} = \frac{\text{sum assured} \times \text{loss}}{\text{Actual value}}$$

$$= \frac{800,000 \times 800,000}{\text{Sh. } 1,000,000}$$

$$= \text{Sh. } 640,000$$

*Correct answer only 4 Marks*

**25. Ways through which the price of a commodity may be determined.**

- Auctioneering
- Haggling
- Price mechanism
- Tendering
- Price controls
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*Any correct four @ 1 Mark x 4 = 4 Marks*