

FORM 3 EXAMINATION 2022
Kenya Certificate of Secondary Education (K.C.S.E.)

BUSINESS STUDIES

PAPER 1

TIME: 2 HOURS

MARKING SCHEME

1. Reasons why cash payment is preferred to cheque payment

- Cash is a legal tender but a cheque is not
- Where the debt to be paid is a small amount
- One need not have a bank account
- Personal cheques can easily be dishonoured
- Bank charges are incurred when cashing a cheque

Any (4x1 = 4marks)

2.

- Human wants are unlimited/ends and cannot be satisfied with the limited natural resources
- They are recurrent in nature
- The changing nature of wants renders the consumers unable to satisfy new emerging wants.
- The complementary nature of wants makes it not easy to satisfy one want leaving out the other to be satisfied later
- They are competitive in nature make it difficult for some consumers to decide which to be satisfied first and which will follow.
- Limited resources

Any (4x1 = 4marks)

3. Reasons why Kenya has not fully exploited her natural resources

- Poor technology
- Lack of qualified labour
- Lack of enough information on the availability of resources.
- Lack of capital to exploit the resources
- Poor infrastructure to allow accessibility

Any (4x1 = 4marks)

4.

- Pollution is reduced
- Business uses environmentally friendly chemicals
- Using recyclable packaging
- Information passed to consumers is not false
- Local resources are utilized well to avoid depletion.

Any (4x1 = 4marks)

5.

Forms of production	Primary	Secondary	Tertiary
Farming	✓		
Transportation			✓
House building		✓	
Retailing		✓	

(4ticks x 1 = 4marks)

6. Dr. 3 – column cash book

Date	Details	D/C all	Cash	Bank	Date	Details	D/C Rec	Cash	Bank
2010		Shs.	Shs.	Shs.	2010		Shs.	Shs.	Shs.
May 1	Balance b/d		1000✓		May 1	Balance b/d			2000✓
May 5	Wambua	200✓	7800✓		May 14	Bank C		8800✓	
May 14	Cash C			8800✓	May 24	Wages			800✓
					May 30	Balance c/d			6000✓
		200	8800	8800				8800	8800
July 1	Balance b/d			6000					

8x½= 4marks

7.

- Obsolescence – has outlived its usefulness
- Where a faster machine is required
- Where maintenance costs are lighter than cost of acquiring modern one
- Where there is need for increased production
- Where training skills have changed

8.

- Employment of qualified staff
- Enforcement of Laws to punish errant staff
- Control errant staff
- Reducing undue influence by the government
- Restructuring them to make them competitive

*Any 4x1=4marks*9. **Factor that an entrepreneur would consider in deciding a business opportunity is worth investing**

- Capital
- Return (pay off)
- Competition
- Market availability

Any 4x1=4marks

$$\begin{aligned}
 10. \text{ Compensation claim} &= \frac{\text{Sum insured}}{\text{Actual value}} \times \text{Loss} \checkmark 1 \\
 &= \frac{800,000}{1,000,000} \times 1,000,000 \checkmark 1 \\
 &= \text{Sh.}800,000 \checkmark 2
 \end{aligned}$$

*(4marks)*11. **Circumstances under which owners equity may change**

- When business makes profit
- When business makes loss
- Where there is drawings
- When new capital is introduced

(4x1= 4marks)

12. Factors accounting for the shift in supply curve

- Increase in cost of production
- Shortage of inputs
- Exit of firms from the industry
- Price of related products is high
- Punitive government policy e.g. high taxations
- Use of poor technology

Any (4x1= 4marks)

13.

- Provide business incentives
- Improve transport.
- Provide credit facilities to investors
- Provide land at reasonable cost
- Improve communications
- Provide health care services

14. Ways of differentiating products

- Through branding
- Through wrapping
- Through packaging
- Through colouring
- Through shaping
- Through blending

15. Missing terms (given diagram)

- A. = Factors of production
- B. = Payment to factors of production
- C. = Expenditure on goods and services
- D. = Sale of goods and services

16.

- Less mobile labour force/old people display rigidity
- Less labour supply
- High levels of dependence
- Lack of creativity and innovativeness
- Loss of job opportunities because of decline in the demand for goods used by the youth.

*(4x1= 4marks)***17. Terms for various disciplines as given**

- i.) Economics
- ii.) Commerce
- iii.) Accounting
- iv.) Entrepreneurship

18.

- Enables members to save
- Loans at low interest rates
- Offers different categories of loans
- Easy to obtain loans

19.

Achoki Traders trial balance as at 1.5.2010

	Debit	Credit
Capital		130,000✓
Cash in hand	40,000✓	
Rent owing		12,000✓
Furniture	110,000✓	
Debtors	20,000✓	
Stock	60,000✓	
Trade creditors		38,000✓
Bank overdraft		50,000✓
	230,000	230,000

*8x½= 4marks***20. Expenses incurred by intermediaries when distributing goods**

- Storage
- Advertising
- Insurance
- Salaries/wages
- Blending/branding/packaging etc.

(4x1= 4marks)

21.

- They are assured of steady supply of goods
- Key are assured of quality goods
- Stable prices
- They get goods in convenient quantities
- They get a variety of goods

Any (4x1= 4marks)

22.

- Leads to better performance
- Leads to efficiency in operations
- Improve customer relations
- Leads to efficient management
- Leads to creation of business relations

23. Reasons why the government regulates business

- To control unhealthy/wasteful competition
- To curb illegal business
- To protect consumers against malpractices by traders
- To control environmental degradation
- To stabilize the economy etc

*(4x1= 4marks)***24. Factors that discourage pipeline means of transporting petroleum in Kenya**

- Prone to sabotage in the remote areas
- Easy for fuel to be pilferaged
- Not economical for small values of the products
- Initial capital outlay is quite light
- Cost of monitoring the pipeline is high

*(4x1= 4marks)***25. Benefits of E-commerce in transacting business in an organization**

- Facilitates access to a large market
- Large and small business can transact business through the internet without discrimination.
- A fast way of doing business
- Reduces paper work since many dealings are on line.
- Saves on the cost of sending, receiving and storing information.