

KCSE 2022 BUSINESS STUDIES P1 MARKING SCHEME

1.	Components of Business Studies																
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2.	<p>Limitations of direct trade (producer to consumer)</p> <ul style="list-style-type: none"> i. There is higher distribution costs ii. Less/limited Market/customers iii. Producer may not produce surplus goods due to limited market iv. Producer may not afford large warehouses and other storage facilities to enhance continuous production v. Consumers may get poor quality of products 	<p style="color: red;">Any 4x1=4</p>															
3.	<p>Compensation = $\frac{\text{Sum Insured} \times \text{Loss}}{\text{value of property}}$ ✓</p> <p>Compensation = $\frac{800,000 \times 800,000}{1,000,000}$ ✓</p> <p>Compensation = Ksh.640,000 ✓</p> <p>(b) -Kaimosi Traders had <i>under insured</i> his house.</p> <p>-Kaimosi Traders had insured for Ksh. 800,000 instead of Ksh. 1,000,000</p>	<p style="color: red;">Correct answer give 3 marks</p> <p style="color: red;">Any 1x1</p>															
4.	<p>Circular flow of income</p> <ul style="list-style-type: none"> a) Firms b) Households c) Provision for factors of production d) Payment for goods and services 	<p style="color: red;">4x1=4</p>															
5.	Books of Original entry																
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6.	<p>Circumstances under which CWO would be preferred.</p> <ul style="list-style-type: none"> i) Where the buyer is new to the seller. ii) Where the buyer's credit worthiness is in doubt. iii) Where CWO is the policy of the business. iv) Where the seller is operating a mail order store business. v) Where the seller wants to avoid high cost of debt collection. vi) Where the seller needs working capital. 	Any 4x1=4
7.	<p>Sources of government revenue (other than tax)</p> <ul style="list-style-type: none"> (i) Fines from courts (ii) License fees (iii) Borrowing loans (iv) Grants and foreign aid (v) Rent and rates for use of government property (vi) Dividends and profits from government investments (vii) Proceeds from sale of government property (viii) Interest earned from loans advanced by government 	3x1=3
8.	<p>Ways in which economic environment may lead to business success.</p> <ul style="list-style-type: none"> i. Increase in consumers income increases their purchasing power ii. Decrease in corporation tax encourage businesses to produce more iii. Increase in personal income tax increases consumers purchasing power iv. Decrease in interest rates ensures consumers have money to spend on goods and services. v. Low rate of inflation encourages consumers to buy more 	Any 4x1=4
9.	<p>Circumstances under which firm may be located near the market</p> <ul style="list-style-type: none"> i. Where it is cheaper to transport finished goods than raw materials ii. If the government requires so. iii. Where market is concentrated in one area. iv. Where there is need to save on transportation costs of finished goods. v. Where the finished goods are highly perishable. vi. Where the finished goods are heavy and bulky. 	Must use; if, where, when or in case Any 4x1=4
10.	<p>Meaning of term in Trends of Business Units</p> <ul style="list-style-type: none"> i. Holding company-It is a company that acquires fifty one percent shares or more of another company. 	

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	<ul style="list-style-type: none"> ii. Amalgamation-This is where two or more businesses combine and form a one new business. iii. Absorption-This is where one business buys all assets of another business and the bought business ceases to exist. iv. Cartel-It is a group of related companies that agree to work together to control their production and market. 	4x1=4															
11.	<p>Market Structures</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 60%;">Condition</th> <th style="width: 35%;">Market structure</th> </tr> </thead> <tbody> <tr> <td>a</td> <td>The firm is the industry</td> <td>Monopoly</td> </tr> <tr> <td>b</td> <td>Buyers and sellers have complete knowledge about entire market but cannot influence the market.</td> <td>Perfect competition market</td> </tr> <tr> <td>c</td> <td>Few large firms that dominate the market</td> <td>Oligopoly</td> </tr> <tr> <td>d</td> <td>Comprised of many sellers of differentiated products</td> <td>Monopolistic competition</td> </tr> </tbody> </table>		Condition	Market structure	a	The firm is the industry	Monopoly	b	Buyers and sellers have complete knowledge about entire market but cannot influence the market.	Perfect competition market	c	Few large firms that dominate the market	Oligopoly	d	Comprised of many sellers of differentiated products	Monopolistic competition	4x1=4
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12.	<p>Causes of cost-push inflation</p> <ul style="list-style-type: none"> i. Increase of wage rate by the government/ Increase in wages and salaries ii. Increase in indirect taxes such as VAT iii. Increase of profit margin by businesses iv. Increase in cost of inputs v. Reduction/withdraw of subsidies by the government 																
13.	<p>Reasons for ethical practice in business</p> <ul style="list-style-type: none"> i. To ensure fair competition in business ii. To protect environment/avoid environmental degradation/pollution iii. To ensure there is no discrimination in business iv. To eliminate use of unfair means of achieving business objectives like selling underweight products. v. To protect consumers from exploitation. vi. To ensure rights of workers/employees are upheld 	Any 4x1=4															
14.	<p>Effects of transaction on Balance Sheet Totals</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 60%;">Transaction</th> <th style="width: 30%;">Effect</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>Bought office furniture in cash</td> <td>No effect</td> </tr> <tr> <td>b)</td> <td>Deposited some money into the business bank account from personal savings</td> <td>Increase</td> </tr> <tr> <td>c)</td> <td>Purchased goods on credit</td> <td>Increase</td> </tr> <tr> <td>d)</td> <td>Withdrew money from the bank to pay the child's hospital bill</td> <td>Decrease</td> </tr> </tbody> </table>		Transaction	Effect	a)	Bought office furniture in cash	No effect	b)	Deposited some money into the business bank account from personal savings	Increase	c)	Purchased goods on credit	Increase	d)	Withdrew money from the bank to pay the child's hospital bill	Decrease	4x1=4
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15.	<p>Benefits of product promotion to producer.</p>																

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	<ul style="list-style-type: none"> i. It reminds customers about existence of a product in the market hence encouraging them to continue buying. ii. It persuades potential customers to buy products who would have otherwise not bought. iii. It informs potential customers that the product exist in the market and where to find it which increases its sale. iv. It informs customers about change in product features which enables them to continue using it. v. Some methods of product promotion such as personal selling create a good relationship with buyers which may lead to repeat purchase. 	<p style="color: red;">Any 4x1=4</p>																					
16.	<p>Types of unemployment</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 60%;">Statement</th> <th style="width: 30%;">Type of unemployment</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">a)</td> <td>Caused by change in production pattern during the year influenced by weather conditions.</td> <td style="color: blue;">Seasonal</td> </tr> <tr> <td style="text-align: center;">b)</td> <td>Occurs repeatedly at similar times</td> <td style="color: blue;">Cyclical</td> </tr> <tr> <td style="text-align: center;">c)</td> <td>The number of people employed exceeds those that are required</td> <td style="color: blue;">Disguised/hidden</td> </tr> <tr> <td style="text-align: center;">d)</td> <td>Firms are willing to employ all people at prevailing wage rate but job seekers are not willing to take up the jobs.</td> <td style="color: blue;">Voluntary/Real wage</td> </tr> </tbody> </table>		Statement	Type of unemployment	a)	Caused by change in production pattern during the year influenced by weather conditions.	Seasonal	b)	Occurs repeatedly at similar times	Cyclical	c)	The number of people employed exceeds those that are required	Disguised/hidden	d)	Firms are willing to employ all people at prevailing wage rate but job seekers are not willing to take up the jobs.	Voluntary/Real wage	<p style="color: red;">4x1=4</p>						
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18.	<p>Net worth of a Business (Capital Invested)</p> <p>Networth/Capital Invested = Assets - Liabilities ✓</p> <p>Networth = (40,000+60,000+12,000+16,000) - (24,000 + 18,000) ✓</p> <p>Networth = 128,000 - 42,000 ✓</p> <p>Networth = Ksh.86,000 ✓</p>	<p style="color: red;">Salaries are expenses not liability</p> <p style="color: red;">4x1=4</p>																					
19.	<p>Reasons why government protect consumers.</p> <ul style="list-style-type: none"> i. To ensure that products offered for sale are of good quality. ii. To ensure that products offered for sale are of right quantity. 																						

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	<ul style="list-style-type: none"> iii. To ensure health standards are maintained for good health of consumers. iv. To ensure consumers are not overcharged. v. To ensure building construction and safety standards are maintained to avoid loss of lives and property in case they collapse. vi. To protect consumers from false advertising by traders who may give false information. vii. To protect consumers from sale of harmful products that may adversely affect their health. viii. To protect consumers against breach of contract from traders who may fail to honour terms and conditions of sale. ix. To ensure traders do not hoard products causing artificial shortage/ensure commodities are readily available to consumers. 	<p style="color: red;">Any 4x1=4</p>															
20.	<p>Financial institutions</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 50%;">Statement</th> <th style="width: 40%;">Type</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">a)</td> <td>Operates fixed deposit, savings and current accounts.</td> <td>Commercial banks</td> </tr> <tr> <td style="text-align: center;">b)</td> <td>Advances loans in proportion to one's savings</td> <td>Credit and Savings Co-operative Societies (SACCOS)</td> </tr> <tr> <td style="text-align: center;">c)</td> <td>Sells houses through mortgages</td> <td>Housing Finance Companies</td> </tr> <tr> <td style="text-align: center;">d)</td> <td>Offers finance to start or expand industrial enterprises</td> <td>Development Finance institutions</td> </tr> </tbody> </table>		Statement	Type	a)	Operates fixed deposit, savings and current accounts.	Commercial banks	b)	Advances loans in proportion to one's savings	Credit and Savings Co-operative Societies (SACCOS)	c)	Sells houses through mortgages	Housing Finance Companies	d)	Offers finance to start or expand industrial enterprises	Development Finance institutions	<p style="color: red;">Accept SACCOS in (b)</p> <p style="color: red;">4x1=4</p>
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21.	<p>Benefits of electronic filing</p> <ul style="list-style-type: none"> i. It enhance quick retrieval of information ii. It is economical/saves on costs as few facilities are needed. iii. It can be used to store large amount of information/wide storage iv. It is environmental friendly v. It is more flexible as you can update according to needs of the organization. vi. It saves on labour as few workers are involved. vii. It reduces paper work. viii. It is safer as files can be encrypted with passwords. ix. It saves on office space as files are saved electronically. 	<p style="color: red;">Any 4x1=4</p>															
22.	<p>Benefits Kenya get by being member of EAC</p> <ul style="list-style-type: none"> i. Access to wide market for her products. ii. Her citizen can gets employment opportunities from members of EAC iii. Encourages specialization as Kenya can concentrate in producing products like coffee as other members concentrate in producing other products. 	<p style="color: red;">Any 4x1=4</p>															

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	<p>iv. Promotion of peace and good relationship among members of EAC.</p> <p>v. Can get products she does not produce at lower costs from members of EAC.</p>	
<p>23.</p>	<p>Financial ratios</p> <p>a) $\text{Margin} = \frac{\text{Gross profit}}{\text{sales}} \quad \checkmark$</p> <p>$\frac{40}{100} = \frac{\text{Gross profit}}{270,000} \quad \checkmark$</p> <p>$\text{Gross profit} = \frac{40 \times 270,000}{100} \quad \checkmark$</p> <p>$\text{Gross profit} = \text{Ksh.}108,000 \quad \checkmark$</p> <p>b) $\text{Sales} = \text{COGS} + \text{Gross Profit}$</p> <p>$\text{COGS} = 270,000 - 108,000 \quad \checkmark$</p> <p>$\text{COGS} = \text{Ksh.} 162,000 \quad \checkmark$</p> <p>c) $\text{ROSTO} = \frac{\text{COGS}}{\text{Avg. Stock}} \quad \checkmark$</p> <p>$6 = \frac{162,000}{\text{Avg. Stock}} \quad \checkmark$</p> <p>$\text{Avg. Stock} = \frac{162,000}{6} \quad \checkmark$</p> <p>$\text{Avg. Stock} = \text{Ksh.}27,000 \quad \checkmark$</p>	<p style="color: red;">4x1/2=2</p> <p style="color: red;">2x1/2=1</p> <p style="color: red;">4x1/2=2</p>
<p>24.</p>	<p>Reasons for locating bonded warehouses at border points.</p> <p>i. To ease collection of custom duties by the government.</p> <p>ii. To ease inspection of imported products by the government.</p> <p>iii. To ease re-exportation of goods when necessary.</p> <p>iv. To ease inspection of goods before they are exported.</p> <p>v. To save on transportation costs to the bonded warehouses.</p>	<p style="color: red;">Any</p> <p style="color: red;">4x1=4</p>
<p>25.</p>	<p>Services offered by retailers to consumers.</p> <p>i. They offer credit facilities to consumers.</p>	

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ii.	They offer after-sale services such as transportation	Any 4x1=4
iii.	They stock variety of goods and services	
iv.	They offer advice and information about the product	
v.	They break bulk/ divide commodities to small quantities convenient to consumers.	
vi.	They avail commodities to places convenient for consumers.	

ANALYSIS OF THE PAPER BY QUESTIONS PER FORM

FORM	NUMBER OF QUESTIONS	PERCENTAGE %
1	9	36
2	5	20
3	5	20
4	6	24

NB: This is un-official marking scheme for 565/1 KCSE 2022 exam. Errors and omissions are therefore expected. Thank you.

Prepared By; Business Guru M.M.Michael