

**ACK MASENO WEST BUSINESS 565/1  
MARKING SCHEME-MARCH 2025**

**1. State four ways in which economic environment may negatively affect the performance of a business. (4mks).**

- a) Increase in price levels /inflation.
- b) Unstable currency exchange rates /weakening shilling.
- c) Reduced income of the buyers /poverty.
- d) High bank lending rates.
- e) Increased levels of taxation by government.
- f) Withdrawal of subsidies hence high cost of production.

**Any 4 @1mk**

**2.State any four circumstances under which a business would adopt cash with order (c.w.o) policy in payment.**

- a) Where the credit worthiness of the buyer is not known.
- b) Where operating a mail order store.
- c) When working a capital (cash) is needed in the business.
- d) When handling a highly valuable product.
- e) Where similar business have adopted the same policy.
- f) When dealing with products on high demand.

**Any 4 @1mk**

**3.Outline any four components of an efficient transport system(4mks)**

- a) Safety/security of the vessel and medium used.
- b) Affordability/means should be economical
- c) Accessibility of the vessel and terminals.
- d) Spacious to accommodate both cargo and passengers.
- e) Reliability of the means.
- f) The system should be environmentally friendly.

**Any 4 @1mk**

**4.The following items were recorded in the book of kadongo Enterprises.**

Opening stock 14000

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Purchases 80000

Sales 150000

Return inwards 5000

Return outwards 10000

Closing stock 8000

Required

(a) Calculate the cost of good sold (2mks)

$c.o.s = o.s + net\ purchases - closing\ stock \checkmark$

$$14000 + (80000 - 10000) - 8000 \checkmark$$

$$14000 + 70000 - 8000 \checkmark$$

$$\mathbf{Sh.76000 \checkmark} \quad \mathbf{(4 \times 1/2 = 2mks)}$$

(b) Determine Margin percentage (3mkks)

Gross profit = Net sales - cost of sales

$$Sh.(150,000 - 5,000) - 76,000 \checkmark$$

$$145,000 - 76,000 \checkmark$$

$$Sh.69,000 \checkmark$$

Margin =  $\frac{Gross\ profit}{Net\ sale} \times 100 \checkmark$

$$= \frac{69,000}{145,000} \times 100 \checkmark$$

$$\mathbf{47.59\% \checkmark} \quad \mathbf{(6 \times 1/2 = 3mks)}$$

### 5. Reasons why many Kenyans shy away from taking insurance cover(4mks)

(a) Negative attitude of many Kenyans towards the insurance programs

(b) Poverty of many Kenyans who lack financial ability to pay regular premiums.

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- (c) Ignorance of many Kenyans an insurance and their benefits.
- (d) Lengthy procedure to be followed in seeking compensation hence discouraging those yet to be insured.
- (e) Failure by some insurance companies to compensate the affected hence creating negative publicity.

**Any 4 @1mk**

#### **6. In the diagram below name the parts labeled a, b, c and**

- a) Demand curve
- b) Equilibrium point
- c) Supply curve
- d) Equilibrium price

#### **7.State any four reasons for government involvement in business activities( 4mks )**

- a) To create employment opportunity to many Kenyan's
- b) To discourage foreign dominance of the local economy
- c) To stimulate economic development.
- d) To protect consumers from exploitation
- e) To control strategic sectors
- f) To offer essential product to the people

**Any 4 @1mk**

#### **8. Identify any four rewards to labour as a factor of production (4mks)**

- a) Salaries
- b) Wages
- c) Fees
- d) commission

#### **9.State four causes of employment in Kenya (4mks)**

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- a) Rapid population growth
- b) Irrelevant education system
- c) Adoption of capital intensive methods in production
- d) Seasonality in production
- e) Inadequate co-operant factors in production
- f) Unfavorable government policies that do not support job creation
- g) Negative attitude of many Kenyans who shown juakali industry of white collar jobs

**Any 4 @1mk**

**10. Indicate in the spaces below the relevant factor of production associated with following resources(4mks)**

<b>Resources</b>	<b>Factor of production</b>
Water	Land
Manager	Labour
Proprietor	Entrepreneurship
Vehicles	Capital

**11. State any four characteristics of a good money system(.4mks)**

- a) Divisibility
- b) Scarcity
- c) Potable
- d) Homogeneity
- e) Durability
- f) Malleability
- g) Cognizability

**Any 4 @1mk**

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**12.State any four situations that indicate the existence of a business opportunity.(4mks)**

- a) Overpricing /overcharging
- b)Low quality product
- c) Poor services
- d) Inavailability of a product in the market

**Any 4 @1mk**

**13. State any four accounting document used in home trade (4mks)**

- a) Invoice
- b) Debit note
- c)Credit note
- d)Cash Receipt
- e) Proforma invoice

**Any 4 @1mk**

**14.State any four reason why in an increase to income per capital may not necessarily lead to an increase in standard of living ( 4kms)**

- a) Wide income inequalities between the inner and the upper
- b) Difference in taste and preference
- c)Harsh working conditions
- d)High dependency levels

**Any 4 @1mk**

**15.State four monetary tools that can be used to reduce the amount of money in inversion (4mks)**

- a) Increasing the cash ratio

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- b) Increasing Bank rates
- c) Increasing the compulsory deposits
- d) Use of directives
- e) Selling of government securities

**Any 4 @1mk**

**16. Name the columns marked A,B,C and D (4MKS)**

A Ledger folio

B Discount received

C. Cash

D Bank

**17. State any four unethical issues in entrepreneurship (4mks)**

- a) consumer exploitation
- b) corruption by management
- c) consumer discrimination
- d) environmental detraction
- e) breaking of the law
- f) stiff and unhealthy competition

**Any 4 @1mk**

**18. in the table below indicate the account to be debited and the account to be credited in each case. (4mks)**

TRANSACTION	A/C DEBITED	A/C CREDITED
a. Withdrawal shs cash for personal use	Drawings account✓	Cash account✓
b. Paid rent of shs. 3000by cheque	Rent account✓	Bank account✓
c. Purchased goods shs.10,00 on credited	Purchases account✓	Creditors account✓

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d. Deposited business cash to bank account	Bank account✓	Cash account✓
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**8x1/2=4mks**

**19.State four roles of the Nairobi stock exchange market (4mks)**

- a) Facilitate buying of shares
- b) Facilitate selling of shares
- c) Fixing of share prices
- d) Monitoring performance of listed companies
- e) Publish vital information on the activities at the stock exchange

**Any 4 @1mk**

**20. The following information was extracted from the books of Maseno west traders**

Rate of stocks turnover	3 times
Mark-up	20%
Opening	160,000
Closing stock	200,000

Required: calculate

Gross profit (2mks)

Sales (2mks)

**Working**

a) R.O.S.T.O =cost of sales/ av stock

$$3 = \text{cost of sales} / 180,000 \checkmark$$

$$\text{Cost of sale} = 180,000 \times 3 = \text{Shs. } 540,000 \checkmark$$

$$\text{Gross profit} = 20/100 \times 540,000 \checkmark$$

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**=Shs.108,000√ ( 4x1/2=2mks)**

a) Sales=cost of sales+gross profit

=540,000+108,000√

**=Shs. 648,000√ (2x1=2mks)**

**21. Human want have become increasingly difficult to satisfy,  
Outline four measures that can be undertaken by man to address  
this challenge (4mks)**

- a. recycling of waste
- b. re-using products resources
- c. preparing a budget scale of preference \
- d. making wise choices
- e. conserving resources when in plenty
- f. using resources sparingly to ground wastage

**Any 4 @1mk**

**22. Prepare Hekima Traders Trail Balance as per 30<sup>th</sup> April 2020  
given the following items recorded (5mks)**

**HEKIMA TRADERS**

**TRAIL BALANCE**

**AS AT 30<sup>TH</sup> APRIL 2020**

<b>DETAILS</b>	<b>DR SHS</b>	<b>CR SHS</b>
Bank overdraft		48,000√
Debtors	26,500√	
Capital		102,000√
Stock	84,000√	
Creditors		73,000√
Discount allowed	28,000√	
Rent received		48,000√
Mortgages		200,000√
Land	236,500√	

<b>TOTAL</b>	<b>423,000√</b>	<b>423,000</b>
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**10x1/2= 5marks**

**23. State any categories of public expenditure (3mks)**

- a. Development/Capital expenditure
- b. Recurrent expenditure
- c. Transfer payments

**24. Outline any four trends in communication (4mks)**

- a) Introduction of 5G+Network with high speed internet
- b) Language transformation e.g English programs aired in vernacular languages like Luo
- c) Video conferencing and WhatsApp video calls
- d) Widespread use of tik toks Instagram among the youths
- e) Installation of fiber optics and use of free wifi in homes and public places

**Any 4 @1mk**

**25. Identify the book originality where each the following transaction may be recorded**

<b>TRANSACTIONS</b>	<b>BOOK OF ORGANIC ENTRY</b>
a) Bought goods on credit	<b>Purchases journal</b>
b) Sold an office machine on credit	<b>General journal</b>
c) Some goods were returned back to the supplies	<b>Purchase return journal/return outwards journal</b>
d) Sold good in cash	<b>Three column cash book/cash Receipt journal</b>