**LANJET CLUSTER EXAMINATION**

**BUSINESS STUDIES**

**PAPER 1 (565/1**

**DECEMBER, 2020**

**MARKING SCHEME**

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1. Amina complains to her friend that these days she is finding it increasingly hard to satisfy her needs. Give four reasons why she may be facing such a situation.
2. Her wants are repetitive
3. They are complimentary
4. Some may be habitual
5. Wants are too many/ unlimited
6. She may be unemployed
7. Prices of resources may be too high Any 4 @√x4 = 4mks
8. A resource is something that is used by a business to achieve an objective. Identify **four**

resources available in a business**.** (4mks)

a) Human resources

b) Technological resources

c) Financial resources

d) Physical resources Any 4 @√x4 = 4mks

1. State **four** factors that an entrepreneur would consider before investing in a business

opportunity

1. Capital required
2. Returns/profitability
3. Market size
4. Competition level
5. Government policy
6. Political stability (security)

Any 4 @√x4 = 4mks

1. The quantity demanded and supplied of a certain commodity can be expressed as Qd=50+20p and QS= 20+16p respectively.

Find

1. Equilibrium price (2marks)

50+20p = 20+16p

. 20p-16p = 50 -20

4p= 30

P= 7.5

1. Equilibrium quantity ( 2 marks)

Q = 50+ 20p

= 50 + 20(7.5)= 200 units

1. The table below shows the growth rate of Gross Domestic product (GDP) of a certain Country for two years

|  |  |
| --- | --- |
| **Year** | **G.D.P** |
| 2003 | 4.0% |
| 2005 | 6.5% |

Highlight **four**  circumstances under which the standards of living of the citizens of the country referred to above may not necessarily have been higher in 2005 than 2003. (4mks)

Problems of per capita income as a measure of stds living

1. Population may have overworked
2. Leisure time not provided for the working population
3. Inequitable distribution of income
4. Data used may be inaccurate
5. Rise in general price levels
6. If there is a rise in expenditure on non-productive govt activities
7. Rise in population

Any 4@ 1mk x 4 = 4mks

**6. Sources of monopoly power**.

(a) The firm may have the sole right to a technique used in production.

(b) A firm may control a strategic input or entire raw material used in the production of a commodity.

(c) The initial capital investment required to set up a firm in a given line of production is very high and only one firm which can afford.

(d) The firm may grow very big that it enjoys extensive internal economies of scale hence able t reduce cost of production.

(e) The government may set up a parastatal and give it exclusive rights to produce.

(f) A group of firms merge into one huge firm by combining all their operations.

(g) If the firm has patent/copy rights which bans other firms from producing/selling the product. (Any 4 x 1 = 4 marks)

7. **Money transfer facilities** offered **by commercial banks**

a) Standing orders

b) Credit transfers

c) Telegraphic transfers

d) Electronic fund transfers

e) Mobile money transfers

f) Bankers cheques

g) Travelers cheques

h) Credit cards

8. **Benefits of warehousing to consumers**

a) Ensures steady flow of goods

b) Enjoy stable prices

c) Goods are protected from physical damage

d) May enjoy goods that are of high quality

e) They are able to get seasonally produced goods throughout the year

f) Some goods lose weight in the store hence the consumer may pay less

g) Consumers are able to get goods that are not produced locally

9.

|  |  |  |  |
| --- | --- | --- | --- |
| No. | transaction | source | Book of original entry |
| a | Purchase of goods on credit | *Invoice received* | *Purchases journal* |
| b | Payment of cash to a creditor | *Receipt received* | *Cash payment journal* |
| c | Sale of goods on credit | *Invoice issued* | *Sales journal* |
| d | Sale of fixed asset on credit | *Receipt issued* | *General journal* |

**10. let 2012 be 100%**

**CPI= × 100**

**= × 100= 133.33% PRICES INCREASED BY 33.33%**

**11. differences between ordinary shares and preference shares**

|  |  |  |
| --- | --- | --- |
|  | **Ordinary shares** | **Preference shares** |
| **a** | **Do not get fixed return** | **Carry a fixed rate of return** |
| **b** | **Owners have voting rights** | **Owners have no voting rights** |
| **c** | **Their returns are not cumulative** | **Their returns are cumulative** |
| **d** | **Ordinary share holders are real owner of company** | **Preference share holders are quasi owners of company** |
| **e** | **Share holders participate in management** | **Do not participate in management** |
| **f** | **On dissolution their capital is paid back after preference shares** | **On dissolution they are given preference in receiving back their capital** |

12.  **Mango traders**

**Trial balance**

**As at 31st Dec 2019**

|  |  |  |
| --- | --- | --- |
| **Details** | **Debit** | **Credit** |
| **Sales**  **Purchases**  **Returns inwards**  **Returns outwards**  **Salaries**  **Capital**  **Bank loan** | **170,000**  **10,000**  **30,000** | **100,000**    **20,000**  **40,000**  **50,000** |
| **Total** | **210,000** | **210,000** |

13. Outline four positive implications of a youthful population to an economy. {4 marks}

**a) High dependency ratio**

**b) Strain on government to provide education and health care**

**c) High demand for goods required by the youth**

**d) High birth rates**

**e) Low standards of living**

**f) low investments on development infrastructure as funds are channeled towards social services**

14. Outline four barriers to verbal communication

**a) poor listening**

**b) Lack of common language**

**c) Poor timing**

**d) Negative attitude**

**e) Distortion of message through incorrect means**

15. Highlight four positive impacts of physical environment on operations of a business

**a) Favorable climatic conditions favour agriculture**

**b) Good terrain favour construction of business structures**

**c) Absence of floods means goods can efficiently reach the market**

**d) good roads and physical infrastructure enhance trade**

**16. A= C + L**

**C= A – L = (350,000 + 45,000+ 7,000) – (48,000) = SHS. 354,000**

**Therefore opening capital = SHS. 354,000**

**C.C= O.C + I + P – D**

**= 354,000+ 24,000 + 34,000 – 20,000 = SHS. 392,000**

17. Give four basic characteristic features of a business idea

**a) What product or services to sell**

**b) The market to sell goods and services**

**c) How the business will run**

**d) The pricing of products**

**e) The objectives to be met**

18. State four reasons why a producer may involve wholesaler in distributing products ( 4 mrks)

**a) To save producer problem of storage**

**b) To relieve producer problem of transport**

**c) To reduce risks such as fall in price**

**d) To conduct market research**

**e) To prepare goods for sale**

**f) To facilitate product promotion**

**g) To get finances**

19. State four factors that determine the premiums charged by insurance companies for life policies( 4 mrks)

**a) Age of the assured**

**b) Occupation**

**c) Sum assured**

**d) Health status**

**e) Frequency of occurrence of the risk assured**

**f) Residence of assured**

20. State four methods used in trade restrictions. ( 4 mrks)

**a) custom import duty**

**b) quotas**

**c) total ban**

**d) trade agreements**

**e) administration controls**

**e) foreign exchange control**

21. Highlight four ways in which emergence of COVID- 19 infections negatively affected business operations in Kenya

**a) It lead to closure of some businesses**

**b) restricted movement of goods and people**

**c) Extra costs incurred to enhance sanitation**

**d) Loss of jobs as companies ccaled down operations**

**e) Panic buying led to shortage of some commodities e.g sanitizers**

**f) Policy of social distance affected businesses such as clubs**

**g) loss of foreign market for exports such as flowers**

**h) Unsteady flow of imports**

**i) general uncertainties**

**22. Write the account to debit and credit in the following transactions**

|  |  |  |  |
| --- | --- | --- | --- |
|  | transaction | a/c to debit | a/c to credit |
| a | Returned damaged goods to supplier | purchases | Returns outward a/c |
| b | Received rent by cheque | bank | Rent income a/c |
| c | Took cash for personal use | drawings | Cash a/c |
| d | Customer returned ordered goods | Returns inward a/c | Sales a/c |

23. Highlight four characteristics of labour as a factor of production ( 4 mrks)

a**) Its a basic factor of production**

**b) Can not be stored**

**c) Cannot be separated from the labourer**

**d) labourer sell labour but not themselves**

**e) labour is mobile**

**f) labour is human with ability to think and get annoyed**

**24.** Mention four adverse effects of inflation ( 4 mrks)

**a) reduction in profit**

**b) wastage of time shopping around**

**c) conflict between employer and employee**

**d) decline in standards of living**

**e) Loss to creditors**

**f) loss of confidence in monetary systems**

**g) low level of savings and investiment**

**25. cash receipts journal**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **DATE**  **2019** | **DETAILS** | **RCT NO.** | **LF** | **DISCOUNT**  **ALLOWED** | **CASH( SHS.)** | **BANK(SHS.)** |
| **Dec 1** | **sales** |  |  | **4,500** | **40,500** |  |
| **Dec 17** | **debtor** |  |  | **3,000** |  | **20,000** |
| **Dec 15** | **Sales** |  |  |  |  | **70,000** |
|  |  |  |  | **7,500** | **40,500** | **90,000** |

**Cash payments journal**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **DATE**  **2019** | **DETAILS** | **RECEIPT**  **NO.** | **LF** | **DISCOUNT**  **RECEIVED** | **CASH** | **BANK** |
| **Dec 5** | **Purchases** |  |  | **200** | **3,800** |  |
| **Dec 6** | **Rent** |  |  | **200** |  | **16000** |
|  |  |  |  | **400** | **3,800** | **1,600** |