

LANJET 2022

BUSINESS STUDIES

PAPER 1

MARKING SCHEME

1. State four types of business activities carried out in Kenya. (4mks)

i) **Extraction of raw material of trade.**

ii) **Processing of raw materials**

iii) **Distribution**

iv) **Construction**

v) **Trade**

vi) **Provision of services**

2. Suggest four reasons for the increase in motor cycle accident. (4mks)

i) **Over speeding**

ii) **Lack of appropriate riding skills**

iii) **Ignorance of the highway codes**

iv) **Un road worthy motorcycles**

v) **Overloading**

vi) **Poor state of roads**

3. State four circumstances in which sign language may be preferred. (4mks)

i) **If the sender and receiver can see each other.**

ii) **When communicating with a deaf**

iii) **When passing secret/ confidential message**

iv) **Where the environment is noisy**

v) **Where there is need to maintain silence.**

4. The following information was extracted from the books of Rono traders.

Rate of stock turn-over 3 times

Mark-up 20%

Opening stock sh 60,000

Closing stock sh 120,000

Calculate;

a) Cost of goods sold

R.O.S.T = $\frac{C.O.G.S}{\text{Average stock}}$

A.S = $\frac{60,000 + 120,000}{2} = 90,000$

3 = $\frac{C.O.G.S}{90,000} = \frac{270,000}{90,000}$

b) Gross profit

$$\text{Mark-up} = \frac{\text{Gross Profit}}{\text{C.O.G.S}} = \frac{1}{5} = \frac{\text{G.P}}{270,000} = \frac{270,000 \times \frac{1}{5}}{270,000} = \underline{\underline{540,000}}$$

c) Purchases

C.O.G.S = opening stock + Purchases – closing stock

$$270,000 = 60,000 + P - 120,000$$

$$\text{Purchases} = 330,000$$

d) Sales

Sales = C.O.G.S + Gross Profit

$$270,000 + 54,000 = 324,000$$

5. Suggest four factors that influence the amount of money that individual own for transaction motives. (4mks)

i) Interval between receipts of incomes.

ii) Individual spending habit

iii) Price of commodities

iv) Availability of credit

v) Individual's level of income.

6. State the best type of machine one would use to perform the following tasks. (4mks)

Functions	Name of machine
i) Used to trim papers into desired sizes.	Guillotine
ii) To post information to ledgers and to prepare payrolls	Accounting machine
iii) To transmit printed message such as letters, maps, diagrams and photographs	Fax machines
iv) To destroy sensitive but unwanted documents.	Paper shredders

7. Highlight four forms of economic integration. (4mks)

i) Free trade Area

ii) Custom Union

iii) Common Market

iv) Economic Union

8. The equation given below relate to quality demanded and quantity supplied at the equilibrium point. (4mks)

$$Q_{de} = 4p + 50$$

$$Q_{se} = 8p + 30$$

Determine the equilibrium price and quantity.

$$4p + 50 = 8p + 30$$

$$50 - 30 = 8p - 4p$$

$$5 \cancel{20} = 4p$$

$$\cancel{4} \quad \cancel{4}$$

$$P = 5$$

$$Q_{de} = 4 \times 5 + 50 = 70$$

$$Q_{se} = 8 \times 5 + 30 = 70$$

Price = sh5

Quantity = 70

9. Indicate whether the following items are falling in real nominal or private accounts. (4mks)

- a) Sales – **Nominal**
- b) Carriage inwards – **Nominal**
- c) Capital - **Private**
- d) Fixtures and fittings – **Real**

10. Outline four factors that influence the choice of product in the market. (4mks)

- i) **Price**
- ii) **Design**
- iii) **Quality**
- iv) **Government policy.**
- v) **Alternative available**
- vi) **Variety e.t.c**

11. Outline four reasons why there is need for ethical practices in business. (4mks)

- i) **To avoid environmental pollution**
- ii) **In order to create fairness in competition**
- iii) **Ensures rights of employees are upheld**
- iv) **Avoids consumer exploitation**
- v) **It creates fairness in competition**
- vi) **It ensures no discrimination in business.**

12. Outline the type of unemployment in an economy and give the cause for each. (4mks)

- i) Unemployment occurs when people lose jobs and go working for new ones – **Frictional unemployment**
- ii) Unemployment that occurs when people are actively looking for jobs at the existing wage rate but cannot get them - **Open involuntary unemployment**
- iii) Unemployment that occurs repeatedly at similar times – **Cyclical unemployment**
- iv) Unemployment that occurs when demand for labour declines due to either changes in the method of production or decrease in the supply of goods and services – **Structural unemployment**

13. Name four essential elements of transport. (4mks)

- i) **Model/ way**
- ii) **Terminus**
- iii) **Method of propulsion**
- iv) **Units of carriage**

14. Outline four benefits to a business that uses its own warehouse. (4mks)

- i) **It can be tailored to meet ones specifications**
- ii) **Space is always guaranteed**
- iii) **Can be conveniently located**
- iv) **The business maintains a continuous supply of goods**
- v) **Saving increases for not renting storage space**

- vi) Goods can be processed in the warehouse
- vii) Goods are safe from theft

15. Outline four characteristics of property insurance. (4mks)

- i) Premium charged depends on degree of risk
- ii) It's a contract of indemnity
- iii) It's a short term contract
- iv) The policy cannot be assigned to the next of kin
- v) It has no surrender value
- vi) It cannot be used.

16. Give four advantages of personal selling as a method of sales promotion. (4mks)

- i) Creates good relationship between customer and the seller
- ii) The seller has a chance to explain/ demonstrate the use of the product
- iii) The seller corrects information regarding the demand of the product.
- iv) Ability to tailor the product according to customers need
- v) Seller can persuade the customers to buy/ negotiate

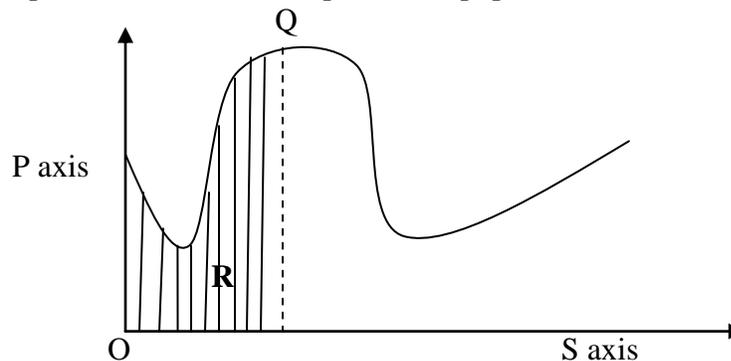
17. Mention four circumstances under which the market may be the main factor in determining the location of a firm. (4mks)

- i) Where the final product is heavy
- ii) Where the final product is fragile
- iii) Where the final product is highly perishable
- iv) Where the final product is bulky
- v) When rendering personal service
- vi) When competition for the market is highly

18. Outline four ways in which households contribute to national income of a country. (4mks)

- i) Consumption of goods
- ii) Payment of taxes
- iii) Provision of labour
- iv) Provision of savings for investments
- v) Provision of entrepreneurship

19. The diagram below represents the relationship between population and income per capita. (4mks)



State what is represented by P and S axis and letter R and S.

P axis – income per capita

S axis – population

R – Under population

Q – optimum population

20. State two characteristics of each of the following in the balance sheet. (4mks)

Assets – (i) **A resource owned and controlled by the business.**

(ii) **Must have been acquired in the past**

(iii) **They can be fixed or current**

(iv) **An item of value that can be measured reliably in monetary value.**

Liabilities - (i) **A present obligation for a business to settle as a result of past commitments**

(ii) **Settlement would reduce business assets**

(iii) **Owned to outsiders**

(iv) **They can either be long-term and short-term**

21. Indicate the type of journal in which each of the following transactions would be recorded. (4mks)

Transaction	Journal
a) Goods previously sold on credit were returned	Sales return journal
b) Goods bought on credit	Purchases journal
c) Goods sold for cash	Cash receipt journal
d) Motor vehicle sold on credit	General journal

22. Outline four benefit of direct taxation to the government. (4mks)

i) **It is simple to administer**

ii) **Economical to collect**

iii) **Simple to understand**

iv) **Equitable payment according to income**

v) **The tax is wide base and therefore more is collected**

vi) **Does not affect prices of goods and services**

vii) **The tax is collected at the source and hence predictable**

23. Chania Traders have a licence to export manufactured goods. Highlight four distribution channels they could use to have their goods reach foreign consumers. (4mks)

i) **Chania traders → Foreign consumers**

ii) **Chania traders → Retailers → Foreign consumer**

iii) **Chania traders → Wholesalers → Retailer → Foreign consumer**

iv) **Chania traders → Wholesalers → Foreign consumers**

v) **Chania traders → Agents → Wholesalers → Retailers → Foreign consumers**

NB: The answer must start with Chania Traders and end with Foreign Consumer.

24. State four characteristics of labour as a factor of production. (4mks)

i) **It cannot be stored**

ii) **It is a basic factor of production**

iii) It is mobile

iv) It cannot be separated from the labourer

v) It can be improved through training and experience

25. State three methods that are used to protect consumers.

(4mks)

i) Consumers initiated methods

ii) Governmental initiated methods

iii) Non-governmental organization initiated methods.