**LANJET PRE MOCK EVALUATION (MARCH/APRIL 2024)**

**BUSINESS STUDIES**

**FORM 4**

**PAPER 1**

**MARKING SCHEME**

1. Highlight four factors that may positively influence the operations of a business. (4mks)

**i) Fair competition**

**ii) A stable political environment.**

**iii) Favourable legal frame work/ legislation**

**iv) A stable economic**

**v) Ample security**

2. In the spaces provided below, indicate the type of utility created by each of the following activities. (4mks)

Activity Type of utility

a) Store keeping - **Time utility**

b) Selling goods to a customer - **Possession utility**

c) Making a chair - **Form utility**

d) Transporting goods - **Place utility**

3. Outline four differences between a good and service. (4mks)

|  |  |
| --- | --- |
| **Good** | **Service** |
| **a) Goods and services are tangible**  **b) Quiality can be standardized**  **c) Some of goods can be stored**  **d) Separable from the producer**  **e) Not always perishable**  **f) Goods paid for ownership** | **a) Services are intangible**  **b) Quality varies**  **c) Services cannot be stored**  **d) Inseparable from the service provider**  **e) Always perishable**  **f) Services paid for experience received.** |

4. Outline four factors that may encourage entrepreneurship in Kenya. (4mks)

**i) Availability of infrastructure in many areas**

**ii) Existence of consultancy institutions.**

**iii) Existence of role models in entrepreneurship.**

**iv) Availability of market for goods and services**

**v) Access to business finance/ capital**

**vi) Government support in development of entrepreneurs.**

5. Highlight four benefits of using electronic filing system. (4mks)

**i) Easy access of data**

**ii) Less paper work**

**iii) Updated with ease.**

**iv) Less storage facilities**

**v) Highly portable**

**vi) Environmental friendly**

**vii) Presentable outlook**

6. Outline four considerations that a seller should take into account before giving credit to a customer. (4mks)

**i) Honesty/ reliability of the customer.**

**ii) Ability to pay back/ credit orthiness.**

**iii) Credit period**

**iv) Amount of stock available**

**v) Collateral evaluate the security given to cover the credit**

**vi) Preparing economic conditions whether it can allow giving credit.**

7. Outline four circumstances under which a cooperative society may be dissolved. (4mks)

**i) Where the cooperative continuously makes losses**

**ii) Increase of a court order**

**iii) In case of a court order**

**iv) in case of change in the law rendering its activities illegal**

**v) If majority of members agree to dissolve it.**

**vi) If membership falls below the required minimum (less than 10)**

8. State four reasons why the government should create an enabling environment for investors. (4mks)

**i) To minimize lost of doing business**

**ii) To enhance economic development in the country**

**iii) To increase the level of national income**

**iv) To avail a variety of goods and services**

**v) To open new areas/ ventures neglected**

**vi) To create employment opportunities**

9. Name the essential elements of transport. (4mks)

**i) Model/way**

**ii) Method of propulsion**

**iii) Units of carriage**

**iv) Terminus**

10. Give four reasons why one would refer a letter to a telephone to send a message. (4mks)

**i) Provides evidence**

**ii) Appropriate for confidential information**

**iii) Can be filled for future reference**

**iv) Relatively cheap**

**v) Appropriate for complex messages e.g maps**

**vi) No distortion of message**

**vii) Can give detailed information**

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

**i) Premiums charged depends on degree of risk**

**ii) It’s a contract of indemnity**

**iii) It is a short term contract.**

**iv) The policy cannot be assigned to the next of kin.**

**v) The policy cannot be used as collateral for a loan**

**vi) It has no surrender value**

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

**i) Goods are safe from theft**

**ii) Goods can be processed**

**iii) It can be tailored to meet one’s specifications**

**iv) Can be conveniently located**

**v) The business maintains a continuous supply of goods.**

**vi) Saving increases for not renting storage space**

**vii) Space is always guaranteed.**

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

1. **Creates good relationship between customer and the seller/ personal touch**
2. **The seller has a chance to explain finer details of the product/demonstrate its use**
3. **The seller corrects information regarding the demand of the product**
4. **Seller can persuade the customer to buy/ negotiate**
5. **Ability to tailor the product according to customer needs**

14. Give the meaning of the following terms as used in business. (4mks)

a) Law of demand – **Holding all other factors constant, the higher the price of a commodity, the lower the quality demand and vice-versa**

b) Law of supply – **Holding all other factors constant, the higher the price of a commodity the higher the quality price of a commodity the higher the quality supplied and vice-versa**

15. Highlight four benefits that would accrue to a firm located near other existing firms. (4mks)

**i) Access to a pool of trained manpower**

**ii) Enjoy use of existing infrastructure**

**iii) Collaboration with existing firms**

**iv) Auxiliary services are available**

**v) Easy access to raw materials**

16. State features of a monopoly market. (4mks)

1. **Only one supplier for the entire market**
2. **Commodity supplied does not have chose substitute**
3. **Barrier to entry for new firms**
4. **Prices are fixed by the suppliers**
5. **The firm practices price discrimination**
6. **The firm is also the industry**

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

1. **Consumption of goods**
2. **Payment of labour**
3. **Provision of savings for investments**
4. **Provision of entrepreneurship**
5. **Payment of taxes.**

18. State four types of unemployment in an economy and give the cause of each. (4mks)

1. **Cyclical unemployment – This is due to relatively low demand for goods and services**
2. **Structural unemployment – This is due to relatively low actor mobility**
3. **Seasonal unemployment – This is due to relatively low demand for labour at certain time of the year**
4. **Frictional unemployment – This is due to time lags i.e time taken in changing jobs.**

19. State the effects of each of the following transactions on the balance sheet totals by writing increase or decrease or no effect in each case. (4mks)

|  |  |
| --- | --- |
| Transaction | Effect on Balance sheets totals |
| a) Brought machine on credit  b) Withdrew cash from the business for personal use  c) Purchased stock in cash  d) Paid outstanding loan by cheque | **Increase**  **Decrease**  **No effect**  **Decrease** |

20. Identify the ledger in which the following accounts are maintained;

|  |  |
| --- | --- |
| Account | Ledger |
| a) Commission income a/c  b) Supplier a/c  c) Machine a/c  d) Cash a/c | **Nominal ledger**  **Purchase ledger**  **General ledger**  **Cashbook** |

21. Give two reasons why a three column cash book is used both as a journal and a ledger. (4mks)

1. **Cash and Bank a/c column in cash book act as a ledger and total balances are used to prepare trial balance like other ledger accounts. (2mks)**
2. **Both discount allowed and discount received column act as a journal and their total balances are transferred to the ledger.**

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

|  |  |
| --- | --- |
| transactions | Journal |
| a) Goods previously sold on credit were returned  b) goods bought on credit  c) Goods sold for cash  d) Motor vehicle sold on credit terms | **Sales return Journal**  **Purchase Journal**  **Cash receipt Journal**  **General Journal** |

23. Outline four benefits that accrue to a business that uses automated teller machine (ATM) banking services. (4mks)

1. **Saves time**
2. **Withdrawing any time**
3. **Deposit any time**
4. **Cheaper to operate**
5. **Highly profitable**
6. **Aim can be used to buy goods and services**
7. **Can pay utility bills**

24. Outline four benefits of direct taxation to the government. (4mks)

1. **The tax collected at the source and hence predictable**
2. **It simple to administer**
3. **Economical to collect**
4. **The tax has a wide base and therefore more is collected**
5. **Equitable payment according ti income**
6. **Does not affect the price of goods and services**
7. **Elastic may be raised or reduced according to the needs of the country.**

25. State four forms of economic integration that may exist between countries. (4mks)

1. **Common market**
2. **Free trade area**
3. **Customs union**
4. **Economic union**