**LANJET PRE MOCK JOINT EXAMINATION - 2024**

**BUSINESS STUDIES**

**FORM 4**

**PAPER 2**

**MARKING SCHEME**

1. a) Explain five indicators of a high population growth. (10mks)

**i) Increase in market demand – The aggressive demand of goods and services is always high when high population increases.**

**ii) Enough labour supply - Increased population provides skilled semi-skilled labour in the market.**

**iii) Increase in innovation and invention – (Technological advancement) Producers will be forced to apply better methods of producing due to high demand of goods and services.**

**iv) Proper utilization of resources - Economic resources will be fully utilized to cater for increased population.**

**v) Full utilization of social amenities – Schools, hospitals will witness some organization as more people to seek services.**

b) Explain the factors that can hinder effective communication. (10mks)

**i) Language barrier/ use of uncommon language – both the sender and the buyer should use a common language.**

**ii) Presence of noise – The environment should be quiet.**

**iii) Improper timing - Communication should be done when the communicating parties are ready to listen.**

**iv) Prejudgment – It makes the receiver unable to pay attention.**

**iv) Prejudice - The sender and buyer should not be biased to each other.**

2 a) Menengai Manufacturers who have been producing product X stopped its production and instead embarked on the production of product. Explain five factors that my have led to this decision. (10mks)

**i) Government policy - The government may have passed laws prohibiting the product X.**

**ii) High competition – There might have been stiff competition in the manufacture of product X compared to product Y.**

**iii) Raw materials – Used in the manufacture of product X might have been depleted while those used in manufacture of Y are readily available.**

**iv) Cost of production – For product X might have been too high for the company to afford.**

**v) Technology – Continuous production of product X might have required level of technology that Menengai Company did not have. They could produce product Y using existing technology.**

**vi) Profitability – Product X might have become less profitable compared to product Y.**

**vii) Market - for product X might have been declining while that of product Y was picking up.**

**viii) Environment consideration - Unlike production of product X might have been polluting/ degrading the environment which are not in the like with Menengai Manufacturer’s wish.**

b) Situma intends to invest money he has acquired from a bank in form of loan into a retail business. (10mks)

**i) Profitability/ market/ customers – Whether the business will be profitable enough to repay the loan and still continue operating.**

**ii) Security - Whether the location is secure enough to enable smooth operations of the business.**

**iii) Government policy – Whether the existing government policies favour the existence of such a business.**

**iv) Knowdge and skills – Whether he/ she has the necessary skills required in running a retail business.**

**v) Availability of startup resources – Whether the goods he will be dealing in will be readily available.**

**vi) Amount of capital - whether the amount of loan acquired will be enough to sustain the business.**

**vii) Competition – Whether the business will be able to favourably compete with other existing business as stiff competition may lead to failure of the business.**

**vii) Level of development of infrastructure - Whether the infrastructure is well developed to enable smooth business operations.**

3. a) Describe five channels that can be used to distribute locally manufactured goods. (10mks)

**i) Local manufacturer consumers**

**ii) Local manufacturer retailers consumers**

**iii) Local manufacturer wholesalers consumers**

**iv) Local manufacturer wholesalers retailers consumers**

**v) Local manufacturer government agent wholesalers retailers consumers**

**vi) Local manufacturer government agent wholesalers consumers**

b The following trial balance was extracted from the books of Rafiki Traders for the year ended 31/12/2019.

Rafiki Traders

Trial Balance

As at 31st Dec 2019

Dr(sh) Cr(sh)

Capital 270,000

Drawings 30,000

Opening stock 50,000

Purchases 255,000

Sales 400,000

Returns 4,000 7,000

Carriage inwards 28,000

Carriage outwards 8,000

Discount 12,000 5,000

Insurance 25,000

Commission 3,000

Rent 18,000

Furniture 50,000

Land 155,000

Premises 110,000

Debtors 40,0000

Creditors 70,000

770,000 770,000

Closing stock was valued at shs. 58,000.

Required ;

i) Prepare a trading and profit and losses a/c for the year ended 31st Dec, 2019. (10mks)

ii) Calculate ;

a) Mark up (1mk)

b) Rate of stock turn over. (1mk)

**Rafiki Traders**

**Trading, profit and loss a/c**

**For the year ended 31st Dec, 2012**

**Shs shs shs**

**Opening stock 50,000 Sales 400,000**

**Add purchases 255,000 Less returns inwards 4,000**

**Add carriage inwards 28,000 Net sales 396,000**

**Less return outwards 7,000 276,000**

**Cost of goods available 326,000**

**For sale**

**Less closing stock 58,000**

**Cost of goods sold 268,000**

**Gross profit c/d 128,000**

**396,000 396,000**

**Gross profit b/d 128,000**

**Expenses**

**Discount allowed 12,000 Income**

**Commission allowed 3,000 Discount received 5,000**

**Carriage outwards 8,000 Rent received 18,000**

**Insurance paid 25,000**

**Net profit c/d 103,000**

**151,000 151,000**

**Net profit b/d 103,000**

4. b) On 1st January 2018 Mambo Traders had sh 90,000 cash in hand and a bank credit balance of 124,000. During the month, the following transactions took place.

2018

Jan 2 Cash sale sh 189,000

“ 4 A debtor settled his account of sh 7,000 by cheque less 5% cash discount.

“ 12 Paid salaries sh 50,000 in cash.

“ 16 Settled a creditors account of sh 86,000 by cheque less 2% cash discount.

“ 23 Deposited sh 120,000 into bank from office cash.

“ 26 Cash sales banked directly shs 350,000.

“ 27 A cheque received on 4th January from a debtor was dishonoured.

“ 31 Banked all cash except sh 40,000.

Prepare a three column cash book dully balanced. (10mks)

**MAMBO TRADERS**

**THREE COLUMN CASH BOOK**

**FOR THE MONTH OF JANUARY 2018**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DATE** | **Details** | **Discount Allowed** | **Cash**  **(sh)** | **Bank**  **(sh)** |  | **DATE** | **Details** | **Discount Allowed** | **Cash**  **(sh)** | **Bank**  **(sh)** |
| **2018**  **Jan 1**  **Jan 2**  **Jan 4**  **Jan 21**  **Jan 23**  **Jan 26**  **Jan 31**  **FEB 1** | **Bal b/d**  **Sales**  **Debtors**  **Mwenge**  **Cash**  **Sales**  **Cash**  **Bal b/d** | **35,000**  **10,800**  **45,800** | **90,000**  **189,000**  **279,000**  **40,000** | **665,000**  **169,200**  **120,000**  **350,000**  **69,000**  **1,373,200**  **499,920** |  | **2018**  **Jan 1**  **Jan 12**  **Jan 16**  **Jan 23**  **Jan 27**  **Jan 31**  **Jan 31** | **Bal b/d**  Salaries  Creditors  Bank  Debtors  Bank  Bal c/d | **1,720**  **1,720** | **50,000**  **120,000**  **69,000**  **40,000**  **279,000** | **124,000**  **665000**  **1,373,200** |

**Mark-up = Gross profit x 100%**

**Cost of goods sold**

**= 1,280,000 x 100% = 47.76%**

**268,000**

**Rate of stock = cost of gods sold**

**Turnover average stock**

**268,000 = 5 times**

**54,444**

A) With the aid of a diagram, explain how equilibrium price and quantity are established in a free market.

Price (10 mks)

D Excess supply S

P1 price above the equilibrium price

Pe E

P2 D price below the equilibrium price

S Excess demand

0 Q2 Qe Q1 Quantity

**The equilibrium, price is OPe. Equilibrium quantity is OQe and market equilibrium is at point E.**

**If price is set at OP1 above the equilibrium one, there is excess supply of (OQ1 – OQ2). To sell more, the sellers are forced to reduce their price. This reduces the supply and increases demand.**

**The trend continues until market equilibrium point E is reacted. If the price is set at OP2 below the equilibrium price there is excess demand of (OQ1, -OQ2) and this forces the price to go up. This increases the supply and continues until the market equilibrium point e is reduced.**

**ii) Warehouse/ storing – Keeping of goods until the time they would be required.**

**iii) Insurance – This is ensuring security of the goods as they are stored or being transported by taking an insurance.**

**iv) Preparation of goods for sale – This involves activities such as blending, sorting and branding of goods.**

**v) Communication – Passing of messages/ information from one person to another.**

**vi) Trading – Passing of ownership from one person to another through buying and selling.**

b) Safaricom ltd intends to prepare its products by encouraging a price-winning competition through the media. Prices can be won through buying of products. Explain five benefits that that the company would get by using this method of sales promotion. (10mks)

**i) More sales – Many people buy the product in order to increase their chances of winning.**

**ii) Prolonged duration of the competition - The date of draw can be postponed to allow for more sales.**

**iii) Promoting company image - These competitions tends to help create a good company image.**

**iv) Creation of product greenness - The competitions tend to help create a good company image.**

**v) Cost - It is relatively cheap to use this kind of promotion compared to other because of the low values of the prizes.**

**vi) Creation of customer brand loyality – People may become rised to buying the product during the period of the competition and are likely to continue buying the product after the competition.**

5. a) Discuss four functions of money. (8mks)

**i) Serves/ used as a medium of exchange – Money can be exchanged for goods/ services removing the problems of barter/can be used to buy goods and services as it is generally accepted as medium of exchange.**

**ii) Measure of value - Value of goods/ services can be compared/ estimated determined/ calculated monetary value.**

**iii) Store of value - Value of goods/ services can be stored/ readed in terms of money.**

**iv) Standard of deffered payment - Money assist in conduct of business on credit/ where payments are made late time.**

**v) Unit of account - Value of goods/ services are recorded in terms of money.**

b) Explain five ways in which inflation may be found to be useful in an economy. (10mks)

**i) Benefit to debtor – As they pay debts in future at low prices.**

**ii) Benefits to sellers - Who buy goods when prices are low and sell them when prices are high.**

**iii) Motivation to work - Makes people to work harder in an attempt to maintain current standards of living.**

**iv) Increased production - As people work harder to cope with inflation more goods and services are produced.**

**v) Better use of the available resources - Consumers use the available resources economically thereby avoiding wastage.**

6. Explain five activities that may be carried out in the process of distribution of goods. (10mks)

**I Transport - Movement of goods from one place to another/ from producers to wholesalers to retailers ad finally to consumers.**