

**2017**  
**FORM 3**  
**565/1**  
**BUSINESS STUDIES**

**MARKING SCHEME**

1. Mention **four** factors to consider before you locate an office. (4marks)
  - *Operational costs*
  - *Security*
  - *Availability of labour*
  - *Space to facilitate expansion*
  - *Availability of support services*
  - *Access to the office*
2. Mention **four** factors that influence decisions on what goods and services to produce. (4marks)
  - *Whether the firm is product-oriented or market-oriented*
  - *Level of competition*
  - *Level of available technology*
  - *Management role*
  - *Financial viability*
  - *Amount and type of capital in the firm*
3. Give **four** problems facing the savings and credit cooperative societies in Kenya. (4marks)
  - *Loan defaulting by members as some leave employment due to terminal illness, sacking and personal reasons.*
  - *Lack of management skills among members leading to poor management of societies.*
  - *Corruption and embezzlement of funds by official*
  - *Poor investment decisions by some officials leading to losses.*
  - *Stiff competition from commercial banks and micro financial institutions.*
  - *Late remittance of members contributions by employers.*
  - *High demand for loans against the receipts from monthly contributions.*
  - *Retrenchment of workers by both government and private sector has led to financial problems to the society.*
4. Disadvantages of a long chain of distribution.
  - *Increased price*
  - *Chances of damage to goods due to handling*
  - *Feedback to the manufacturer / producer is slow*
  - *Perishable goods will go bad*
  - *Likelihood of delay of goods.*
5. Highlight **four** sources of diseconomies of scale in a firm. (4marks)
  - *Managerial functions which become increasingly difficult to perform as the firm expands. Communication and consultations take more time than before.*
  - *Changing consumer tastes which may not be fulfilled immediately because decision-making may take too long.*
  - *Increase in the costs of transporting raw materials, components and finished products.*
  - *Labour unrest or disputes and lack of commitment from the employees because they are not involved in decision making*
  - *Stoppage of production process when disputes arise since all production stages are interdependent and labour specialized.*
  - *Lack of adequate finances for further expansion of the firm.*
6. Why would a business person find it necessary to advertise their product? (4marks)
  - *To maintain the sales of an already existing product*
  - *To create awareness in the customers about a new product in the market*
  - *To inform the customers about the changes that may have been made in the product*
  - *To help in building image or reputation of the selling organization*
  - *To increase the volume of the existing sales of a product*
  - *To reach people who may have not been reached by the sales person*

- *It complements the effort of the sales person to enable them achieve their sales objectives*
  - *It clears the customers misconception and prejudice about the product*
  - *It opens up new markets for the products.*
7. State four essentials of effective communication. (4marks)
- *Medium used should be appropriate*
  - *Language used must be simple to understand*
  - *Information overload should be avoided*
  - *Both the sender and the receiver must have positive attitude while communicating.*
  - *It must be free from distortion*
  - *Environment should be free from noise*
  - *Message should get to the intended recipient in good time.*
  - *The sender should have adequate knowledge of information being conveyed.*
8. Mention **four** factors that he must take account when deciding on which method of product promotion to use. (4marks)
- *Nature of the product*
  - *Nature of the market/Target group*
  - *Method used by competitors*
  - *Government policy*
  - *Cost of promotion method*
  - *Objectives of the promoting firm.*
9. Give **four** reasons why diagonal communication needs to be encouraged in an organization. (4marks)
- *Promotes teamwork in an organization*
  - *It helps eliminate goal blindness*
  - *Assist in development of human resource because they can freely exchange ideas*
  - *Assist in coordination and harmonization of different activities in an office*
  - *It creates a sense of belonging among staff thus a motivating factor.*
10. Explain **four** differences between hypermarkets and departmental stores. (4marks)
- *Hypermarkets are located in the outskirts of town while departmental stores are found in town.*
  - *Hypermarkets offer a variety of goods while departmental stores deal in a particular line of goods*
  - *Hypermarkets comprises different businesses with different management while departmental stores comprises many single shops under one management*
  - *Hypermarkets have ample parking space whereas departmental stores do not have.*
  - *With hypermarkets prices are not controlled hence can exploit whereas departmental stores sell at relatively low prices.*
11. Highlight **four** trends in transport sector in Kenya. (4marks)
- *Pipeline and containerization*
  - *Electric trains replacing diesel engines*
  - *Underground tunnels are constructed to ease congestions on surface*
  - *Development of planes with large carrying capacities*
  - *Introduction of speed governors to control speed.*
  - *Psv's fitted with music systems*
12. Give **four** reasons why a producer may need to have their own warehouse. (4marks)
- *To enjoy complete control of operations in the warehouse*
  - *To design it to match their specific needs*
  - *In order to install special handling, storage and protection facilities which may not be available with a public warehouse*
  - *To avoid being tied down by rigid procedure of receiving and issuing of goods as is the case with public warehouses*
  - *In the long run, the cost of building own warehouse will be cheaper than the hiring of space in a public warehouse*
  - *The owner exercises full control and makes major decisions without having to consult any one.*
13. State **four** factors that may hinder effective communication in an organization. (4 marks)
- *Noise barriers.*
  - *Choice of inappropriate channel.*
  - *Information overload.*
  - *Poor timing*

- *Physical distractions*
  - *Improper and inadequate information*
  - *Poor body language attracts negative responses from others*
  - *Poor listening skills.*
14. Highlight **four** features of land as a factor of production. (4marks)
- *It is a basic factor of production / production cannot take place without it*
  - *Its supply is fixed*
  - *It lacks geographical mobility*
  - *It has occupational mobility*
  - *Quality is not homogeneous*
  - *Productivity of land may be increased by increasing quantity and quality of capital*
  - *It is subject to the law of diminishing returns*
  - *It is a natural resource*
  - *Its rewards are rent / lease / loyalty rates*
15. Give **four** factors that positively influence internal business environment. (4marks)
- *Adequate resources*
  - *Trained / skilled manpower*
  - *A workable business structure*
  - *Innovative / creative entrepreneur*
  - *Motivated employees*
  - *Good management practices (by the owner)*
  - *SMART goals and objectives*
  - *Adoptable business culture.*
16. Give **four** reasons for continued use of human portage. (4marks)
- *Seasonal and impassable roads to motorists.*
  - *Cheap and affordable to use.*
  - *Rough and steep terrain.*
  - *Small quantity of goods to transport.*
  - *Short distances involved.*
17. Mention **four** components of external business environment. (4marks)
- *Customers*
  - *Demography*
  - *Economic factors*
  - *Socio-cultural factors*
  - *Political factors*
  - *Legal factors*
  - *Competitions*
  - *Intermediaries*
  - *Technical changes*
18. Mention **four** methods of government participation in business activities. (4marks)
- *Through regulation of business activities.*
  - *Through training people e.g. at the Kenya Business Training Institute (K.B.T.I.)*
  - *Through trade promotion.*
  - *Through provision of public utilities.*
  - *Creating an enabling environment for business.*
19. Suggest **four** circumstances under which a person would prefer a taxi over a matatu. (4marks)
- *When using a route which is not used by matatus since taxi can go any route.*
  - *When transporting valuable goods which require special handling.*
  - *When the traveler wants to save time as taxis fill up quickly.*
  - *When there is need for privacy as matatus are used by the general public.*
  - *When a comfortable means is required since the passenger decides on the number of passengers to be carried.*
  - *When there is an emergency e.g. sickness, at night.*

- *Where one wants to create a good impression since taxi is more prestigious.*
  - *Where a traveler wants to use a taxi for a long period as taxi can be hired for a long period of time.*
20. Give **four** uses of a computer in an office. (4marks)
- *To accurately keep a record of stock at hand, receipts and issue.*
  - *To process accounting transactions and prepare ledger accounts and payrolls.*
  - *To store information relation to the Business.*
  - *Used in communication services such as internet, intranet and website.*
  - *Used for entertainment such as music, video and games.*
  - *Product promotion / marketing production through internet, website.*
  - *To carry out market research using internet.*
21. Outline four sources of oligopoly power. (4marks)
- *When huge capital investment is required / barriers to entry*
  - *A few firms hold patent that relate to the technique of production of the product.*
  - *A few controlling a source of raw materials used in the production of the product*
  - *some firms may merge with others as takeover*
  - *A few firms may enjoy large scale economies and offer lower prices for their products thus driving out competitors.*
22. Give four reasons that make insurance companies decline to insure acts of nature. (4marks)
- *The loss may affect many people at a go.*
  - *The value of the loss may not easily be determined.*
  - *The loss is unpredictable.*
  - *There might be very few people willing to be involved to form a pool.*
  - *It may not be easy to determine premiums to be paid*
  - *The possibility of the risk occurring is certain.*
23. Give **four** benefits a country derive from entrepreneurship. (4marks)
- *Creation of employment .*
  - *Reducing rural urban migration .*
  - *Saving on imports .*
  - *Improving infrastructure .*
  - *Reducing foreign dominance in the economy .*
  - *Making use of local resources that could otherwise be idle*
  - *Promotion of technology as entrepreneurs are very creative*
  - *Promotion of entrepreneurial culture.*
  - *Avail a variety of quality goods / services to citizens.*
24. Identify **four** gaps that may exist in a market leading to a business opportunity. (4marks)
- *In availability of products*
  - *Poor quality products*
  - *insufficient quantities being offered*
  - *Unaffordable prices in the market*
  - *Where customers are not well served / poor services.*
25. Mention **four** factors that limit the number of entrepreneurs in a country. (4marks)
- *Lack of market*
  - *Lack of capital*
  - *Poor infrastructure*
  - *Insecurity*
  - *Political instability*
  - *Lack of qualified personnel*