

BUSINESS STUDIES
FORM 3 PAPER 1
MARKINGSCHEME

1. Highlight any four challenges to a country that engages in direct production. (4 mks)
 - (i) **Production are of low quality**
 - (ii) **Low output**
 - (iii) **Does not encourage invention and innovation**
 - (iv) **It will encourage individualism**
 - (v) **There is minimal use of modern technology**
2. State any four circumstances under which a market gap and business opportunity can arise. (4 mks)
 - (i) **If some goods and services needed by customers are not available.**
 - (ii) **If existing businesses do not offer after sales services.**
 - (iii) **If existing business offer low quality goods and services.**
 - (iv) **If there are inadequate quantities/not enough.**
 - (v) **If services are poor.**

3. The following are types of office machines – cash register, guillotine, paper shredder and facsimile. Name the office machine used for the purpose describe below. (4 mks)

Use	Type of machine
a) Used for trimming documents into required shapes and sizes	Guillotine
b) Used to prepare cash receipts	Cash register
c) Used to transmit printed/written messages eg. Letters, maps, photographs	Facsimile(fax)
d) Used for destroying unwanted documents	Paper shredder

4. State any four common features of small-scale retailers. (4 mks)
 - (i) **Require little capital to start a business**
 - (ii) **Have low sales volumes**
 - (iii) **Have low running costs**
 - (iv) **Usually flexible**
 - (v) **Business is easy to start and manage**
5. Outline any four factors that may limit the use of pipeline transport. (4 mks)
 - (i) **Can only transport liquids and fluids**
 - (ii) **Can only transport one product at a time**
 - (iii) **Transports products in one direction only**
 - (iv) **Initial construction cost is high**
 - (v) **A leakage not detected in time may lead to massive losses.**
 - (vi) **Pipeline is not flexible.**
 - (vii) **It's vulnerable to sabotage by enemies.**

6. **Additional capital = closing capital-opening capital-profit+drawings√**

$$= 640,000 - 420,000 - 140,000 + 180,000 \sqrt{}$$

$$= 820,000 - 560,000 \sqrt{}$$

$$= 260,000 \sqrt{}$$

7. Describe the procedure for making an insurance claim. (5 mks)
 - (i) **Notifying the insurer of the occurrence of the risk/reporting**
 - (ii) **Filling in a claim form**
 - (iii) **Investigation by the insurer**
 - (iv) **Calculation of compensation/assessment**
 - (v) **Payment of the claim**

8. Indicate with a tick (✓) whether the following factors make-up internal or external business environments. (4 mks)

Factor	External	Internal
a) Providing safety equipment in the places of work		✓
b) Funding of a school project by donors	✓	
c) Financial management in the business		✓
d) Introduction of a new tax	✓	

9. State the level of production to which the following activities relate. (4 mks)

- (i) **Tertiary**
- (ii) **Primary/ extractive**
- (iii) **Secondary**
- (iv) **Tertiary**

10. Outline any four advantages of face-to-face communication. (4 mks)

- (i) **Provides for immediate feedback**
- (ii) **Has personal appeal**
- (iii) **Body language can easily be expressed**
- (iv) **One can persuade or convince another**
- (v) **It does not pass through intermediaries**
- (vi) **Convenient for confidential messages**

11. Outline any four functions of advertising agencies. (4 mks)

- (i) **Help organizations in designing their trade marks, logos and advertising materials.**
- (ii) **They book space and airtime for their customers in various media.**
- (iii) **They offer advisory services to their clients on selling techniques**
- (iv) **They advertise on behalf of their clients**
- (v) **They choose on behalf of their clients, the appropriate media to be used.**

12. List down any four types of errors that a trial balance may not show. (4 mks)

- (i) **Error of total omission**
- (ii) **Error of original entry**
- (iii) **Error of commission**
- (iv) **Compensating errors**
- (v) **Complete reversal of entries**
- (vi) **Error of principle**

13. Name the ledger book used for the following. (4 mks)

- (i) Maintain accounts for debtors – **sales ledger**
- (ii) Maintain the cash and bank accounts – **cash book**
- (iii) Maintain a record of all the creditors – **purchases ledger**
- (iv) Maintain a record of all fixed assets – **general ledger**

14. Highlight any four challenges to a country that experiences a high population growth rate. (4 mks)

- (i) **Strain on available social amenities**
- (ii) **Low standards of living**
- (iii) **Rural-urban migration**
- (iv) **High dependency levels**
- (v) **Food shortage**
- (vi) **Increase in crime rate**

(vii) Environmental degradation

15. Give any four reasons why a high national income in a country may not necessarily mean better living standards for the citizens of a country. (4 mks)
- (i) There could be unequal/uneven income distribution**
 - (ii) The high national income could have been earned at the expense of leisure.**
 - (iii) The high national income could have included incomes from illegal activities.**
 - (iv) High national income may be raised at expense of environment.**
 - (v) High incomes could be eroded by high levels of inflation.**
16. Outline any four factors that a firm should consider when deciding what goods and services to produce. (4 mks)
- (i) Profitability**
 - (ii) Level of competition**
 - (iii) Availability of resources**
 - (iv) Government policy**
 - (v) Demand/market**
 - (vi) Cost of production**
17. Jacob insured his vehicle for shs. 900,000. Its actual value was shs. 1,200,000. The vehicle was involved in an accident and the damage was valued to be worth shs. 500,000. Calculate the amount that should be compensated for the vehicle. (5 mks)
- $$\begin{aligned}\text{Compensation} &= \frac{\text{sum insured}}{\text{value of the property}} \times \text{actual loss} \checkmark \\ &= \frac{900,000}{1,200,000} \times 500,000 \checkmark \\ &= \text{shs. } 375,000 \checkmark\checkmark\end{aligned}$$
- (5 x 1 = 5mks)**
18. Outline any four circumstances under which a manufacturer may choose to distribute products through wholesalers. (4 mks)
- (i) Where market is wide**
 - (ii) If the manufacturer wants to concentrate in production.**
 - (iii) When manufacturer wishes to avoid risks of distribution**
 - (iv) If it is a government policy**
 - (v) If wholesalers buy in cash**
19. Highlight four factors that can lead to a positive shift of the demand curve. (4 mks)
- (i) Increase in level of consumers income.**
 - (ii) Increase in price of a substitute good.**
 - (iii) Decrease in price of a complimentary good.**
 - (iv) Increase in population.**
 - (v) Favourable change in consumers tastes and preference towards a product.**
 - (vi) Decrease in tax charged on the commodity.**
20. Name the factor of production that each of the following resources relate to: (4 mks)
- a) Manager – **labour**
 - b) Quarry – **land**
 - c) Vehicle – **capital**
 - d) Owner – **entrepreneurship**
21. Outline any four characteristics of monopolistic competition market. (4 mks)
- (i) Sellers and buyers have wide knowledge of the market.**
 - (ii) There are many sellers and buyers who act independently.**
 - (iii) There is freedom of entry into and exit from the market.**

(iv) Sellers have differentiated products.

22. Record the following transactions in the relevant ledger accounts and balance them off on Jan 3. (6 mks)

Jan 1: Started business with cash shs. 30,000 and cash at Bank shs. 20,000.

2: Purchased stock of goods shs. 15,000 in cash.

3: Bought furniture shs. 5,000 by cheque

Capital account ✓

Jan 3 bal c/d 50,000 ✓	Jan 1 cash 30,000 ✓
=	1 Bank 20,000 ✓
<u>50,000</u>	<u>50,000</u>

Purchase account

Jan 2 cash 15,000 ✓	Jan 3 3 bal c/d 15,000 ✓

Furniture account ✓

Jan 3 Bank 5,000 ✓	Jan 3 bal c/d 5,000 ✓

Cash account ✓

Jan 1 capital 30,000 ✓	Jan 2 purchases 15,000 ✓
=	3 bal c/d 15,000 ✓
<u>30,000</u>	<u>30,000</u>

Capital account ✓

Jan 1 capital 20,000 ✓	Jan 3 furniture 5,000 ✓
=	3 Bal c/d 15,000 ✓
<u>20,000</u>	<u>20,000</u>

$18\frac{1}{3} = 6\text{mks}$

23. Give the term that best fits the following descriptions.

(4 mks)

- Owners contribution to start or sustain a business – **Capital**
- The resources/items/money that a business owes to others – **Liabilities**
- The resources/items owned by the business – **Assets**
- The financial position of a business as shown by assets, liabilities and capital as at particular time – **Networth**

24. Highlight any five challenges that face the transport sector in the country.

(4 mks)

- Poor implementation of the road traffic rules
- Increased road carnage/accidents
- Poor road network
- Cartels in the matatu industry
- Corruption