

MARKING SCHEME FORM 3 BUSINESS STUDIES

PAPER 2 END OF TERM 3

1(a) Measures used to solve unemployment cases in Africa.

- Encouraging investment by Private sectors through offering subsidies to increase employment opportunities.
- Use policies that encourage use of labour intensive methods of production.
- Ensure political stability – attract foreign investment into the country.
- Delocalise firms to prevent / reduce urban unemployment brought about by rural-urban migration.
- Encourage use of family planning methods to reduce rapid population growth.
- Provide appropriate education and training methods that equips citizens with relevant skills and knowledge required by firms.
- Increases in Government expenditure to create job employment
- Encourage use of local resources to create employment (5 x 2 = 10mks)

(b) Functions of the stock-exchange market.

- It assists investors to buy shares by providing appropriate information to them.
- It assists shareholders who want to dispose of shares by giving them relevant information.
- It assists companies that need to raise money by floating shares to the public.
- It compiles business information that would be used by interested parties to make decisions on the investment.
- It vets the standard of performance of Company that intends to be quoted in the stock market.
- It sets the prices of shares for the general public investors.
- It list / delists companies that are viable / not viable.
- Generates revenue for the government through taxation.
- Creation of employment.

(5 x 2 = 10mks)

2(a) Circumstances under which the wholesalers can be eliminated from the chain of distribution of goods and services.

- Where goods produced are perishable and need to reach the consumers as quickly as possible e.g milk, meat etc.
- Where the goods produced are to be supplied within a small market e.g furniture products.
- Where the retailers are large scale e.g. super-market.
- Where the manufacturers takes over the role of distribution of goods to retailers because they are able.
- Where the number of retailers to be served directly are few and can be reached by the producer easily.

(5 x 2 = 10mks)

2(b)

Classic furniture enterprises

Balance sheet ✓

As at 1st July 2012

			sh	sh
Fixed Assets			Capital	426,000 ✓
	Shs.	Shs.	Add Net profit	60,000 ✓ ✓
Premises	250,000 ✓	✓ ✓	Less drawing	<u>40,000</u> ✓ 446,000
Office furniture	<u>150,000</u> ✓	400,000		
<u>Current assets</u>			<u>Long term liabilities</u>	✓
Furniture for sale	560,000 ✓		Bank loan	600,000
Debtors	85,500 ✓			
Bank	130,000 ✓		<u>Short term liabilities</u>	✓
Prepaid insurance	20,000 ✓	✓ ✓	Creditors	155,000
Cash	<u>5,500</u> ✓	801,000		
		<u>1,201,000</u>		<u>1,201,000</u> ✓

20 x ½ = 10mks

3(a) Causes of decrease in supply.

- Increased cost of production.
- Poor (backward) technology in use.
- Unfavourable weather conditions.
- Diseases and pests in agriculture.
- Increased taxes on the inputs.
- Withdrawal of subsidies.
- Expectations of increase in the prices of the product in future.
- Restricted entry of new firms in the industry.

(5 x 2 = 10mks)

(3b) Characteristics of Economic resources.

- Scarce – means they are not enough to satisfy all human wants.

- Have Monetary value – their value is measured in terms of money.
- Unevenly distributed – i.e they cannot be found in all places or among all people in equal amount.
- Have Utility – they have the ability to satisfy human wants.
- Have alternative uses – i.e. they can be put to different uses.
- They can be combined – i.e. in different ratios to produce other goods and services.
- They are transferable from one place to another or from one party to another.
- Can change possession.

(5 x 2 = 10mks)

4(a) (i)

Baraka Traders
Trial Balance
as at 12th January 2011 ✓

Details	Dr	Cr
Capital		50,000 ✓
Cash	18,500 ✓	
Bank	15,000 ✓	
Rent	2,000 ✓	
Purchases	12,000 ✓	
Computer	10,000 ✓	
Sales		15,000 ✓
Postage	500 ✓	
Salaries	2,000 ✓	
Drawings	5,000 ✓	
	<u>65,000 ✓</u>	<u>65,000</u>

(12 x 1 = 12mks)

4(b) Factors that have led to popularity of boda boda.

- Faster means of transport.
- Very flexible.
- Availability / accessibility.
- Easy / cheap to operate.
- Facilitates door to door services.
- Can be used where roads are not well developed.
- Cheaper to acquire and maintain.

(5 x 2 =10mks)

5(a) Challenges faced by KPLC are a monopoly.

- Exploitation of consumer through charging higher prices for the services.

- May cause artificial shortage / black outs.
- Incase of reduced production, some workers are unemployed.
- Compromised quality of service due to lack of competition.
- Overlooking undeveloped areas such as rural areas because they are less profitable.
- The firm becomes insensitive to the needs and grievances of consumers. (5 x 2 = 10mks)

(b) Benefits of indirect production.

- Encourages specialization in production.
- Improves skills since tasks are carried out repeatedly.
- Leads to better quality of goods and services.
- The rate and speed of production is increased.
- It leads to creativity invention and innovation in production.
- Promotes trade.
- It leads to surplus goods and services being provided.
- It promotes peace and friendship between people and countries through trade.
- Leads to provision of a wide variety of goods and services.

6(a) Factors to consider when choosing methods of product promotion.

- Efficiency of the method.
- Cost / affordability/ economical
- Nature of the product
- Target group / audience
- Competitors promotional methods
- Level of demand for the product
- Urgency of the information
- Availability of the medium

6(b) Uses of National income statistics.

- Showing the standard of living of the people.
- Shows the contribution of each sector in the economy.
- Used in measuring rate of economic growth of a country.
- Aids in development planning by indicating expenditure patterns e.g consumer expenditure.
- Used to indicate how income is distributed in the country.
- It shows the level of resource utilization i.e indicate how well resources are put into use.
- Assessing the performance of the economy overtime.
- Helps in investment decisions.
- Assisting the government to plan the economy.