

FORM 3 BUSINESS STUDIES PAPER 1 TERM 2 MARKING SCHEME 2019

1. Outline 4 ways in which commercial attaches may promote trade between their country and other countries. (4marks)

- ✓ Make detailed report on country's activities
- ✓ Keep statistics of country's products
- ✓ Conducting market research for local products
- ✓ Promote good relationship between trading countries
- ✓ Publish & advertise their country's export
- ✓ Looking for new markets
- ✓ Educate local traders on trade opportunities
- ✓ Organize educational trade tours abroad
- ✓ Inform exporters on state/price/cost of goods & services
- ✓ Inform the traders on procedures & documents required in external trade

2. A lucrative manufacturing firm has been constantly releasing toxic wastes into the neighbourhood. Outline four measures you can take to stop the firm from such malpractice. (4marks)

- ✓ Boycott the firm's products
- ✓ Carry out demonstrations against the firm
- ✓ Reason with the firm
- ✓ Publicize the malpractice
- ✓ Take legal action/sue the firm
- ✓ Report to relevant authority e.g. National Environmental Management Authority (NEMA)
- ✓ Educate the neighbours on their rights

3. Outline four factors that should be considered in the choice of a means for transporting perishable goods (4marks)

- ✓ Unit value of the product/cost of good
- ✓ Distance to cover/destination
- ✓ Speed/urgency required at the destination
- ✓ Cost of transport
- ✓ Availability of the means
- ✓ Reliability of the means
- ✓ Terminals
- ✓ Flexibility
- ✓ Safety of the means
- ✓ Volume/quantity of goods
- ✓ Availability of specialized facility

4. Outline four circumstances under which face to face communication may be ineffective (4marks)

- ✓ Where there is age difference
- ✓ Where the language is different
- ✓ Where one party has negative attitude
- ✓ Where the receiver has hearing impairment
- ✓ Where unfamiliar/difficult terminologies are used
- ✓ Where there is noise
- ✓ Where the parties involved have poor listening skills

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- ✓ Where there is pronunciation problem
 - ✓ Where the information is overloaded/long details
 - ✓ Where one is unable to understand gestures
 - ✓ Poor timing
 - ✓ Prejudgment

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

- ✓ Enjoyment of existing infrastructure e.g. sewage disposal
- ✓ Access to raw materials
- ✓ Collaboration with existing firms e.g. research & development
- ✓ Enjoy auxiliary services like banks
- ✓ Access to security
- ✓ Access to market
- ✓ Access to available social amenities
- ✓ Access to pool of labour

6. **KAMBO owned a motor vehicle valued at sh.1,000,000. He comprehensively insured the car at sh.800,000. The motor vehicle was involved in an accident and declared a write off. Calculate the amount KAMBO should get from the insurer** (4marks)

$$\begin{aligned}\text{Compensation claims} &= \frac{\text{sum insured}}{\text{value of property}} \times \text{loss} \\ &= \frac{800,000}{1,000,000} \times 1,000,000 \\ &= \text{sh.800,000}\end{aligned}$$

7. **State four reasons why the government should create an enabling environment for investors** (4marks)

- ✓ To minimize cost of doing business
- ✓ To open new areas neglected by investors
- ✓ To expand the tax base hence increase revenue
- ✓ To enhance economic development in the country
- ✓ To promote public/private sector relationship
- ✓ To create employment opportunities
- ✓ To increase the level of National income/increase product
- ✓ To avail a variety of goods and services

8. **State four importances of intermediaries in the chain of distribution** (4marks)

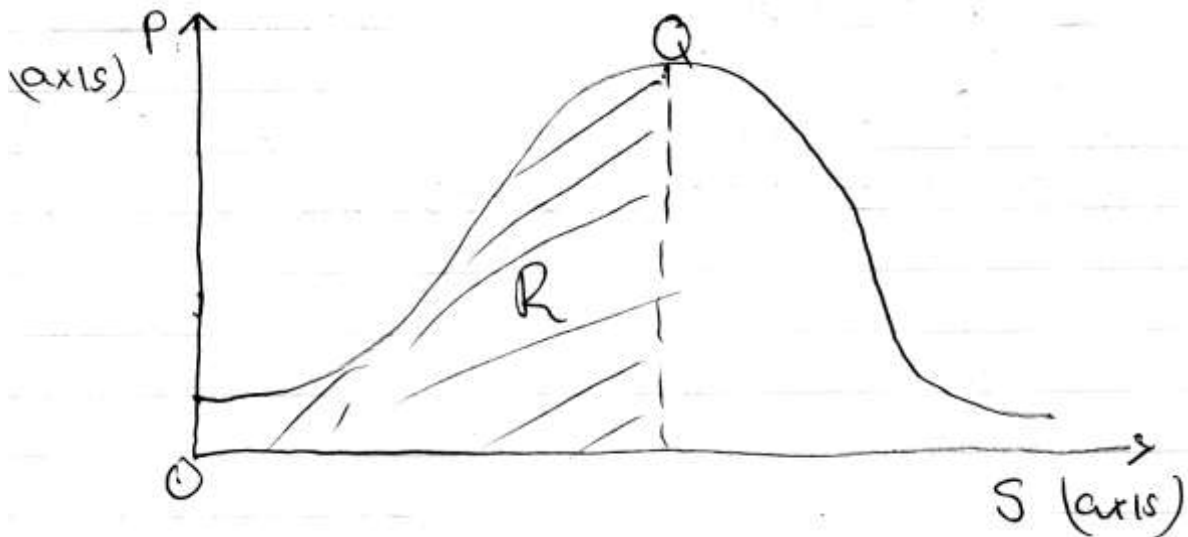
- ✓ Reduce the number of transactions between manufacturers and buyers
- ✓ Assist in breaking bulk
- ✓ Assist in storage of goods
- ✓ Assist in transportation of goods
- ✓ Assist in product promotion
- ✓ Assist in accumulation of stock hence stabilizing prices
- ✓ Assist in debt collection on behalf of their principals e.g. auctioneers

- ✓ Assist in establishing contacts between buyers & sellers e.g. broker
- ✓ Assist in preparation of goods for sale
- ✓ Assist in availing variety of goods to consumers
- ✓ They help in sharing risks involved in distribution
- ✓ Assist in financing by way of selling goods on credit to the next intermediary or consumer

9. **Highlight four challenges that a person may encounter when using a cell phone (mobile phone)** (4marks)

- ✓ May be damaging to the ears
- ✓ Are relatively expensive to acquire
- ✓ Calls or messages sent may be tapped
- ✓ Its use may be limited where there is lack of network
- ✓ May not be used under certain circumstances e.g. banking halls, public service
- ✓ Possibility of loss of handset to thieves
- ✓ Relatively expensive to operate
- ✓ Requires constant charging
- ✓ Prone to misuse e.g. frauds
- ✓ Channel overloads (Network congestion)
- ✓ Difficult to operate if one is illiterate

10. The diagram below represents the relationship between population and income per capita



State what is represented by P and S axes and letters R and Q

(4marks)

P – Income per capital

S – Population

R – Under population

Q – Optimum population/optimum per capita

11. The balances given below relate to Korir Traders for the year ended 31st December 2013.

	Sh.
Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000

Current assets 145,220

Prepare a balance sheet as at 31st December 2013 (5mks)

Korir Trader Balance sheet As at 31 st Dec. 2013			
Fixed Assets	480,000	Capital	300,000
Current Assets	145,220	<u>Long term liabilities</u>	
		2 year Bank loan	230,020
		<u>Current Liabilities</u>	
		Creditors	95,200
	<u>625,220</u>		<u>625,220</u>
	=====		=====

12. Identify the types of wholesalers described in the statements given below (4marks)

- a) A wholesaler who trades in maize grain only Specialized wholesaler
- b) A wholesaler who supplies goods to most of the traders in Kerugoya, Mwea and Sagana in Kirinyaga County Regional wholesaler
- c) A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas. Rack jobbers
- d) A wholesaler who trades in a wide variety of human medicine General line

13. On 2nd November 2010, Mwaura received an invoice for Ksh.12,000. Terms of payment were trade discount 5% and cash discount 10%, if payment is made within 30 days. Determine the amount paid if payment was made on 28th November 2010. (4marks)

Amount paid

Invoice price 12,000✓

Less Trade discount

$$\frac{5}{100} \times 12,000 = \frac{600}{11,400} \checkmark \checkmark$$

Less cash discount

$$\frac{10}{100} \times 11,400 = \frac{1140}{10,260} \checkmark \checkmark$$

$$= \text{shs.}10,260 \checkmark \checkmark \quad 8 \times \frac{1}{2} = 4\text{mks}$$

Or $\sqrt{\quad} \sqrt{\quad}$
 $(12,000 \times 95\%) \times 90\% = 10,260 \sqrt{\quad}$ $4 \times 1 = 4 \text{mks}$

Or
 $\frac{95}{100} \times 12,000 \sqrt{\quad} = 11,400 \sqrt{\quad}$
 $\frac{90}{100} \times 11,400 \sqrt{\quad} = \text{sh.} 10,260 \sqrt{\quad}$ $4 \times 1 = 4 \text{mks}$

14. The following transactions were extracted from the books of Sarah Traders for the month of March 2014.

March 10: Purchased goods on credit worth Kshs.200,000 from Salim Traders.

March 25: Sold goods on credit worth Kshs.420,000 to Shah Traders. Record the above transactions in the relevant ledger accounts (4marks)

Salim Traders A/C

Date	Details	Folio	Amount
10 March 2014 $\sqrt{\quad}$	Purchase $\sqrt{\quad}$		200,000 $\sqrt{\quad}$

Purchases A/C

Date	Details	Folio	Amount
10 March 2014 $\sqrt{\quad}$	Salim $\sqrt{\quad}$		200,000 $\sqrt{\quad}$

Shah Trader

Date	Details	Folio	Amount
25 March 2014 $\sqrt{\quad}$	Sales $\sqrt{\quad}$		420,000 $\sqrt{\quad}$

Sales A/C

Date	Details	Folio	Amount
25 March 2014 $\sqrt{\quad}$	Sales $\sqrt{\quad}$		420,000 $\sqrt{\quad}$

Account title, date, details and amount should be correct for the students to get a mark

15. Highlight four circumstances under which the capital of a business may change (4marks)

- ✓ When the business makes profit
- ✓ When the business makes losses
- ✓ When the owner draws cash/goods for personal use
- ✓ When the owner makes additional investment into the business

16. Outline four features of liners in sea transport (4marks)

- ✓ Ferry passengers or cargo
- ✓ Follow a regular timetable/schedule
- ✓ Call at ports at regular intervals
- ✓ Follow regular route
- ✓ Form association/conference to protect themselves against unfair competition
- ✓ Charges are fixed regardless of demand
- ✓ Call at specific port

17. Fatuma operates a matatu business. State four factors in the internal environment that may influence the business (4marks)

- ✓ The management style/business structure
- ✓ Employees
- ✓ Capital/finance/business resources
- ✓ The owner e.g. objectives
- ✓ Marketing strategy/handling of customers
- ✓ Research and development
- ✓ Condition of the vehicle
- ✓ Business culture
- ✓ Technology e.g. car track, cashless pay

18. State 4 features of monopolistic competition (4marks)

- ✓ Many sellers/buyers in the market
- ✓ Free entry into/exit from the market
- ✓ Firms sell similar products/close substitute
- ✓ All firms earn normal profits in the long run
- ✓ Firms are independent
- ✓ A single firm does not significantly affect the market
- ✓ No single firm has control over the factors of production
- ✓ Wide knowledge of the market
- ✓ Possible for single/some firms to dominate (the market) to influence price

19. Apart from selling shares. Outline 4 sources of finance for a public limited company (4marks)

- ✓ Borrowing loan from financial institution
- ✓ Trade credit/buying goods for resale on credit

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- ✓ Hire purchase
 - ✓ Debentures
 - ✓ Retained profits
 - ✓ Bank overdrafts
 - ✓ Mortgage loans
 - ✓ Leasing and renting properties
 - ✓ Discounting bills of exchange/promissory notes
 - ✓ Use of reserves/provisions – funds set aside

20. There has been a decline in the demand for wooden furniture. State 4 factors that may have caused this trend. (4marks)

- ✓ Decline in consumer income
- ✓ Fall in the price of substitute (Plastic furniture)
- ✓ Increase in the price of wooden furniture
- ✓ Unfavourable government policy (increase taxes)
- ✓ Dislike/unfavourable change in taste/preference/fashion
- ✓ Decline in population
- ✓ Expectation of a future fall in price
- ✓ Low season
- ✓ Introduction of new substitute products
- ✓ Decrease in advertising

21. Karanja Ltd had the following ledger account balance as at 31st May 2015.

Details	shs.
Purchases	3,880
Sales	3,350
Returns outwards	150
Returns inwards	160
D. Simola (Debtor)	2,550
P. Mwendo (Creditor)	3,100
Wages	800
Cash	960
Capital	1,750

Required: Prepare Karanja's trial balance as at 31st May 2015 (5mks)

Karanja Ltd
Trial Balance ✓
As at 31st May 2015

Title of the accounts (Details)	Dr. Shs.	Cr. Shs.
Purchases	3,880✓	
Sales		3,350✓
Returns outwards		150✓
Returns inwards	160✓	
D. Simola (debtor)	2,550✓	
P. Mwende (Creditor)		3,100✓
Wages	800✓	
Cash	960✓	
Capital		1,750✓
	8,350	8,350

10 x ½ = 5mks

22. State four merits of promoting products through personal selling

(4marks)

- ✓ Enhance personal appeal/touch between the buyer and the seller
- ✓ Can effectively counteract customers' negative attitude towards the product
- ✓ Questions/complaint from customers are channeled directly to employees of the company and not middlemen/one is able to clarify issues
- ✓ Demonstration on the performance of the goods can easily be done
- ✓ Flexibility in presentation to suit customers' needs e.g. negotiates new terms of sale
- ✓ Provide immediate feedback from and to the clients
- ✓ Effective in conducting market research
- ✓ One is able to persuade and convince the customers
- ✓ Can be directed to specific target group
- ✓ Enhances customers loyalty for future sales
- ✓ One can get direct order or sales
- ✓ Buyer makes informed decisions
- ✓ It takes care of literate and illiterate customer

23. Complete the table below by indicating the relevant account to be debited and credited.
(3marks)

Statement	Account to debit	Account to credit
a) A debtor paid by cheque	<i>Bank</i> ✓	<i>Debtor</i> ✓
b) Bought goods on credit	<i>Purchase</i> ✓	<i>Creditors</i> ✓
c) Draw cash from bank for office use	<i>Cash</i> ✓	<i>Bank</i> ✓

6 x ½ = 3mks

24. Highlight four essentials of a good warehouse

(4marks)

- ✓ Should have a good location
- ✓ Should have appropriate building structures
- ✓ Should be spacious
- ✓ Should be equipped with necessary facilities for handling & storing goods
- ✓ Should have trained and devoted personnel
- ✓ Should have good communication network
- ✓ Should have good transport network
- ✓ Should be secure/safety facilities
- ✓ Should have proper recording systems
- ✓ Should have appropriate special facilities
- ✓ Should comply with law

25. Outline 3 features of economic resources

(3marks)

- ✓ They are limited in supply/scarce/not readily available
- ✓ They have money value
- ✓ Their quality can be improved
- ✓ They can be combined in various proportions to produce goods and services
- ✓ They are unevenly distributed
- ✓ They have ability to create utility when combined
- ✓ Some can be transferred from one person to another
- ✓ They have varied uses