**Kenya Certificate of Secondary Education**

FORM 3 BUSINESS STUDIES

**MARKING SCHEME**

1. **Economic factors influencing business operation**
2. Consumer level of income
3. Inflation rate
4. Taxation rate
5. Bank rate
6. Price level
7. **Essential elements of transport**
8. ***Unit of carriage***- refers to vessel that is used to transport goods and people
9. ***Methods of propulsion***- driving force (source of power)
10. ***Ways***- refers to route or path passed by the vessels
11. ***Terminals (terminuses)*** - place where loading and offloading of goods and services
12. **Sources of capital for a sole proprietorship business**
13. Borrowing from friends/ relatives
14. Borrowing from financial institutions
15. Inheritance
16. Donations from friends and relatives
17. Credit buying
18. Ploughed back profits
19. Leasing and renting out properties
20. **Four differences between goods and services**

|  |  |
| --- | --- |
| **GOODS** | **SERVICES** |
| Can be tangible | Are intangible |
| Can be stored | Cannot be stored |
| Can be standardized | Cannot be standardized |
| Can change possession(separable from the producer) | Cannot be separated from the provider |
| Not all goods are perishable | Services are highly perishable |
| Most can be seen | Cannot be seen |
| Can change in value over time | Cannot change in value since they cannot be stored |

1. **Reasons for dishonouring a cheque.**
2. When there is insufficient funds in the account
3. When the cheque is postdated
4. When it is a stale cheque
5. If the drawer has closed his/her account with the bank
6. When the bank learns about death, insanity or bankruptcy of the drawer and gives instruction that the cheque should not be honoured
7. Guillotine
8. Paper punch
9. Composite
10. Franking
11. **Factors that lead to increase in demand**
12. Increase in consumer income
13. General increase in population
14. Favorable government policy
15. Positive change in tastes and preference
16. Future expectation of increase in price
17. Future expectation of decrease in quantities
18. Better/favorable terms of sales
19. Fair distribution of income
20. **Line of communication**
21. Horizontal communication
22. Upward/vertical communication
23. Downward/diagonal communication
24. Upward/diagonal communication

Value of the policy x loss

Actual value of the property

= 900,000 x 500,000

1,200,000

=ksh. 375,000

1. **Types of warehouses**
2. Free warehouses
3. Bonded warehouses
4. Private warehouses
5. Public warehouses
6. **Ways in which the government may get involved in business**
7. In regulation of business activities
8. In protecting consumers from exploitation
9. In training/ human resource development
10. In provision of enabling environment for business activities
11. In provision of public utilities/ commercial activities through public corporations

**12. Four factors that should be considered as a means of transporting perishable goods.**

1. Cost of the means
2. Reliability of the means
3. Urgency of the goods
4. Cost of the goods
5. Distance to cover /destination/ speed
6. Volume / Quantites of the goods
7. Availablility of the means
8. Presence of terminals.

**13. Four circumstances underwhich personal selling is appropriate.**

1. When launching a new product.
2. When a product is tailored to suit customer specification.
3. When demonstration is received.
4. When the value of the product is high.
5. When the organization can afford to finance sales force.
6. When the market is concentrated in one area.

**14. Four benefits a firm will get by adopting division of labour and specialization in production.**

1. High output per worker.
2. Leads to creativity and innovation.
3. Allows use of machines.
4. Efficient use of time.
5. High quality output.
6. Less strain on workers.

**15. Four roles of Nairobi Securities Market in the economy.**

1. Facilitates buying of shares.
2. Facilitates selling of shares.
3. Safeguarding investors interest.
4. Provides useful information to investors to make decision on investment.
5. Assist companies to raise capital.
6. Creation of employment.
7. Raising of revenue to the government.
8. Availing variety of securities.
9. Fixing prices of goods services.
10. Measure of a countrys progress.
11. Promotes culture of saving.

**16. Four factors that a trader should consider before offering a credit to a customer.**

1. Credit worthiness of the buyer.
2. Repayment period
3. Amount of goods the customer wants.
4. Availability of adequate stock.
5. Honesty of the customer / intergrity /Reliability.
6. Frequency at which the buyer buys from the trader.
7. Sellers intention to atrract and retain customers.

**17. Four features of an open – air market**.

1. Entrance fee is paid.
2. Under administration of county gooverment.
3. Traders selling similar commodities are allocates specific area.
4. Open an particular days of the week.
5. Deal in variety of goods.
6. No fixed premises/ commodities sold in the open.

**18. Four reasons why choice should be made in satifying human wants.**

1. Because resources available for satisfying wants are limited.
2. Because human wants vary in urgency and intensity.
3. Because there is variation in tastes and preferences of human wants.
4. They are too many.
5. They are competive.

**19. Four reasons why the government issue licence to drivers.**

1. Source of government revenue.
2. To ensure that those who drive meet the requirements.
3. To reduce road accidents.
4. To ensure that drivers are always responsible.

**20. Classify the following economic resources.**

1. Natural
2. Human
3. Man made
4. Man made

**21. (a) Five roles of enterpreneurship to the economy of Kenya.**

(i) Creation of employment opportunity.

(ii) Raises standards of living of people.

(iii) Saves on imports.

(iv) Leads to formation of capital.

(v) Promotion of technology.

(vi) Makes use of local resources.

(vii) Reduces foreign dominance.

(viii) Reduces rural – urban migration.

(ix) Improves infrastructure.

**(b) Five external environment factors that may influence the operation of a business positively. (10 mks)**

(i) Increase in population which expands the market for business products.

(ii) Favourable economic factors which boost purchasing power/increase the demand for products.

(iii) Positive social /culture factors which favour the business environment.

(iv) politial stability/security which creates conducive business environment.

(v) Favourable legal policies which encourages the establishment of business.

(vi) Availability of raw materials /inputs making firms not to experiences shortage /encourage continuous production.

(vii) Fair / healthy/favourable /low/ no competition which business can up with / withstand.

(viii) Advanced technology making business product competitive / increase the quality / quantity of business of prodcts.