**BUSINESS STUDIES**

**FORM THREE**

**MARKING SCHEME**

1. Outline four causes of unemployment. 4mks

**Use of inappropriate education system.**

**Use of inappropriate technology**

**High population growth rate rural urban migration**

**Lack of product market**

1. Outline four characteristics of life assurance policies. 4mks

**Have surrender value**

**Can be assigned to beneficiaries**

**Covers exclusively with life**

**One use the policy as security for acquiring loan**

1. State four reasons for existence of small firms in the economy. 4mks

**Small size of the market**

**Small nature of the product sold**

**Flexibility of small firms**

**Belief that small firms are more manageable**

1. Outline three characteristics of indirect production. 3mks

**Goods produced are of high quality**

**Encourages invention and innovations**

**Goods are produced in large quantities**

1. Rahisi traders had the following details on 31st Jan 2019.

ksh

Machinery 500,000

Overdraft 38,000

Capital 620,000

Debtors 38,000

Cash 100,000

Creditors 280,000

Stock 300,000

Prepare Rahisi traders balance sheet as at 31st Jan 2019. 4mks

1. Outline three functions of an entrepreneur. 3mks

**Starts the business**

**Controls the business**

**Makes decisions**

1. Outline four characteristics of sole proprietorship form of business. 4mks

**Requires small capita to start**

**It is flexible**

**Requires few legal formalities**

**One may get assistance from family members**

1. A business had the following records for the year ended 31st dec 2018.

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Capital as at 31/12/18 64,000

Net profit 14,000

Capital as at 1/1/18 42,000

Drawings 15,000

Calculate additional investments made during the year. 4mks

1. Outline three essential elements of transport. 3mks

**Unit of carriage**

**Ways**

**Terminals**

1. Outline four factors that may influence entrepreneurial culture in Kenya. 4mks

**Availability of good infrastructure**

**Favourable government policies**

**Availability of raw materials**

**Availability of market**

1. State circumstances under which a cheque may be dishonored. 4mks

**If the cheque is postdated**

**If it is torn or dirty**

**If the account holder has no sufficient amount money in the account**

**If the amount in figures do not match with the amount in words**

1. Highlight four disadvantages of enclosed office layout. 4mks

**Encourages absenteeism**

**Encourages laziness**

**Possible misuse of office machines**

**Difficult to locate workers**

1. State four features of prefect completion market. 4mks

**Many buyers and sellers**

**Products are homogenous**

**Uniformity of buyers and sellers**

**Buyers and sellers have perfect knowledge of the market**