

FORM THREE BUSINESS STUDIES

TERM 3 2023

MARKING SCHEME

1. Problems associated with use of output approach in measuring national income.

- (i) Insufficient/inadequate statistical data esp. in private sectors.
- (ii) Fluctuating prices of goods.
- (iii) Improper valuation of goods in subsistence sector.
- (iv) The illegal business activities are not captured in the course of measuring national income e.g. drug trafficking and smuggling.
- (v) The problem of valuing government output since many of its services are not sold in the market.

2. Circumstances under which utility is created in a commodity. (4 mks)

- (i) When goods change from places of manufacture towards the market/resources from extractive industries towards firms.
- (ii) In case intermediate goods are transformed from initial state to finished state/where they change value-from raw - ripen status.
- (ii) If they are stored in respective stores/warehouses awaiting to be available at the correct time.

3. Circumstances under which cheque payment would be preferred more than cash payment.

- i. Where lump sum/huge funds are involved.
- ii. Where security is attached to money involved in transaction.
- iii. In case evidence of payment is required by a business (written evidence)
- iv. Where references are required in future for payment made.
- v. In case a statement of account is needed.
- vi. In case privacy of carrying money is needed by organization/business.
- vii. In case it's the policy of the business to be making payments using cheques.

4. Four common documents in Home trade at the delivery stage.

- (i) Delivery note.
- (ii) Consignment note.
- (iii) Packing sheet/packing note.
- (iv) Advice note.

Kazuri Enterprises
Balance Sheet
As at 31st December 2021

<p style="text-align: center;"><u>Fixed Assets</u></p> <p>Machinery 243,250.00</p> <p>Furniture 125,345.00</p> <p>Building 845,000.00</p> <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">1,213,595.00</p> <p style="text-align: center;"><u>Current Assets</u></p> <p>Cash 148,650.00</p> <p>Stock 745,400.00</p>	<p>Capital 1,012,795.00</p> <p style="text-align: center;"><u>Long Term Liabilities</u></p> <p>4 year Bank Loan 650,000.00</p> <p style="text-align: center;"><u>Current Liabilities</u></p> <p>Bank Overdraft 85,250.00</p> <p>Creditors 495,000.00</p>
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Debtor	135,400.00		
		1,029,450.00	
		2,243,045.00	2,243,045.00

(ii)

Kazuri Enterprises
Balance Sheet
As at 31st January 2022

<u>Fixed Assets</u>			
Machinery	200,000.00	Capital	1,012,795.00
Furniture	125,345.00	Add Profit	112,000.00
Building	845,000.00		1,124,795.00
	1,170,345.00	Less Loss	3,250.00
			1,121,545.00
<u>Current Assets</u>		<u>Long Term Liabilities</u>	
Cash	38,650.00	4 year Bank Loan	650,000.00
Stock	625,400.00		
Debtor	77,950.00	<u>Current Liabilities</u>	
Bank	154,200.00	Creditors	295,000.00
	896,200.00		2,066,545.00
	2,066,545.00		

5. (a) Channels for distributing fish from Lake Victoria.

- Fisherman (Producer) Consumer
- Producer Retailer Consumer
- Producer Wholesaler Consumer
- Producer Wholesaler Retailer Consumer
- Producer Marketing Agency Retailer Consumer
- Producer Marketing Agency Wholesaler Consumer

(b) **Role of Nairobi Security market in the economy**

- **Facilitates buying of shares-** it provides a conducive environment to investors who want to buy shares in different companies.
- **Facilitates selling of shares-** it creates a market for those who wish to sell their shares.
- **Safeguarding investors' interests-** it monitors the performance of the already quoted companies and those found not meeting expectations are struck off. Companies who want to be quoted must also attain a certain standard of performance.
- **Provides useful information-** it provides timely, accurate and reliable information to investors which enable them to make decisions on the investments to make. The information is passed on through mass media and stock brokers.
- **Assist companies to raise capital-** it assists companies to raise capital by creating an environment through which companies issue new shares to members of the public in an **IPO**.
- **Creation of employment-** it creates employment for those who facilitate the buying and selling of shares eg stock brokers, stock agents etc.

- **Raising revenue for the government-** the government earns revenue by collecting fees and other levies/ dues from activities carried out in the stock exchange market.
- **Availing a variety of securities-** it avails a variety of securities from which an investor can choose from. The market therefore satisfies the needs of various investors eg investors who wish to buy from different companies can do so in the market.
- **Fixing of prices-** the stock exchange market is in a position to determine the true market value of the securities through the forces of demand and supply. This is of great importance to both the buyer and the seller.
- **Measures a country's economic progress-** the performance of securities in the stock exchange market may be an indicator of a country's economic progress e.g a constant rise in prices and volumes of securities traded within a given period of time would indicate that the country's economy is positively growing.
- **Promotes the culture of saving-** it provides investors with opportunities to channel their excess funds. Such people act as role models to other members of the society who may emulate them thereby promoting a saving culture.

6. (a) Merits of localization of industries

- **Service industries/Ancillary services:** It encourages the establishment of support business enterprises e.g. if many firms are located in one region, institutions such as banks, insurance companies and distributors are likely to set up businesses in the area to offer services required
- **Creation of pool of labour:** When industries are concentrated in one area, people tend to migrate to that region in search of employment thus encouraging creation of a pool of labour force. This enables firms to meet their labour force requirements.
- **Creation of subsidiary industries:** Localised firms are likely to attract others which use the finished products of the established firms as raw materials or selling raw materials to the existing firms.
- **Disposal of waste:** Localised firms are able to easily dispose off their waste by either selling them to other firms for recycling or by jointly undertaking waste disposal projects.
- **Creation of employment:** It encourages creation of employment opportunities in the region (it creates interests in the type of labour required thereby leading to creation of employment opportunities).
- **Development of infrastructure:** Concentration of firms in one area encourages development of the necessary infrastructure such as water systems, roads, communication network, health and education facilities in the region
- **Economies of scale:** Firms can combine to employ benefits of large-scale production for the benefits of consumers.
- **Reduction in costs:** Firms that depend on each other for inputs or disposal of outputs are able to save on transport costs when they are located near each other.

7. Trends in Product promotion

- Use of the social media/facebook/
- Event sponsoring
- Use of website/internet to advertise product worldwide, which has increased the coverage
- Encouraging gender sensitivity and awareness in product promotion to bring about gender balance
- Use of electronic billboards in advertisement to increase their visibility even at night
- Intensifying personal selling by the business to reach more customers
- Use of road shows- Development of promotion convoys to move from one place to the other with music and dancers to attract more prospective customers
- Catering for the rights of the youths when carrying out product promotion and even involving them in carrying out the promotion

- Catering for the interest of those with special needs when carrying out advertisement
- Advertisement through mobile phones by sending them sms about the product

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