

## **FORM THREE BUSINESS STUDIES**

### **PAPER 2 MARKING SCHEME**

#### **END OF TERM THREE EXAMINATION 2023**

1. a) **Reasons for preparing a business plan.**

- It may be a requirement by financiers.
- It assists in allocating resources.
- Assist in determining the financial requirements.
- Acts as a tool of control
- Acts as a motivating factor to the workers in that each one knows what is expected of him
- Assists in identifying the strengths and weaknesses of the business
- Assists in adapting to possible changes that are likely to occur during the implementation period.
- Assists in avoiding mistakes in that such mistakes can be detected and rectified before implementation.

b) **Role of stock exchange market.**

- It facilitates buying and selling of shares in that it acts as a link between the sellers and the investing public.
- Acts as an indicator of the level of economic activities in a country by looking at the number of shares being transacted.
- Assists in safeguarding investor's interest in that only those financially sound companies have their shares traded in the market.
- Creates a culture of saving in that those with surplus money can invest in shares.
- Provide useful information that assist in making investment decision in that people know where to invest.
- It creates employment for people in trading of shares
- Acts as a source of government revenue through taxes
- Assist companies to raise revenue
- Assist in determining the prices of shares.

2. a) **Problems encountered in measuring national income.**

- It's not possible to estimate depreciation on capital goods.
- It's not easy to determine the value of the subsistent output.
- There is the problem of change in value of money which may give exaggerated information

- There is the problem of double counting
- It's not easy to estimate the value of free and subsidized services
- Inaccurate data due to use of wrong statistical methods.
- Inventory valuation on stock appreciation
- There is the problem of the output of foreign firms.

**b) Factors considered before giving credit.**

- Credit worthiness of the buyer
- Repayment period
- The amount of goods that the customer wants
- Availability of adequate stock
- Honesty on the trustworthiness of the customer
- Frequency at which the customer buys
- Seller's intentions such as retaining customers.

**3. a) Reasons for using salesmanship.**

- When introducing new products in the market
- When the unit value of a product is high
- Where demonstration is required
- Where the feed-back of the customer is needed
- Where the market is concentrated In a small geographical area
- Where the firm has adequate resources to finance the sales force
- Suitability of a product to individual needs as opposed to those of the general public.

**b) Sources of business ideas**

- Using information from the media
- Using individual talents and strengths
- Spotting market gaps
- Brain storming where people come together and agree on certain idea
- Shows and exhibitions
- Identifying use of wastes product
- Listening to complaints from customers
- Market survey to find out what is on demand
- Hobbies or those activities that people do for pleasure like entertainment.

**4. a) Ways of creating an enabling and**

- carrying out market research and giving advise to entrepreneurs.
- providing infrastructure

- ensuring that there is maximum security
- reducing taxes
- increasing subsidies
- Providing basic services like education and medical care.
- Accessing businessman to sources of capital.

b)

<u>WITU</u>			
<u>BALANCE SHEET</u> <span style="float: right;">1/2</span>			
<u>AS AT 30<sup>TH</sup> APRIL 2017</u>			
<u>FA</u>		capital	271, 300
Motor vehicles	273, 000		
Furniture	8, 000 <span style="float: right;">1/2</span>	<u>LTL</u>	
		AD is loan	70, 000
<u>CA</u>		<u>CL</u>	
Stock	36, 400	creditors	6, 700
Debtors	27, 500	overdraft	36, 500
Cash	20, 500		
	<u>386, 500</u>		<u>386, 500</u>

1 mrk for each correct entry.

5. a)

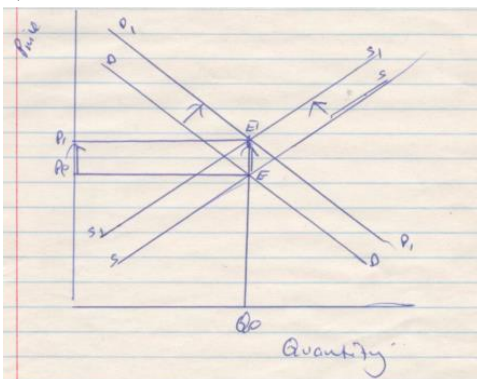


diagram 8mrks

- Equilibrium price will increase. 1 mrk
- The equilibrium quantity remains constant. 1mrk

b) **Steps followed in seeking compensation**

- Reporting to the insurance company in case a risk occurs..
- Filling claim firms.
- Investigation of the claim by the insurer

- Preparation of assessment report
- Payment of the claim.

6. a) **Factors that contribute to existence of small firms.**

- Limited access to sources of finance.
- Limited size of the market
- Limited access to modern technology
- One's decision due to fear of taking risk
- Government policy where the government encourages the setting up of small scale businesses in order to create self-employment.
- Small firms are easy to manage.

b) **Reasons for amalgamation**

- Increasing bargaining power
- Avoiding unnecessary competition
- Mobilization of capital
- Controlling the market
- Avoiding wasteful use of resources
- Sharing of ideas
- Reducing the cost of operating
- Ensuring constant supply of raw materials through backward integration.