

FORM 3 END OF TERM 1 MARKING SCHEME

- 1. Define the following components of Business Studies. (4 marks)**
 - a) Economics - Study of how competing human wants are satisfied with limited/ scarce resources
 - b) Accounting – Systematic way of recording, analyzing of business transactions and financial statements
 - c) Office practice – Activities that take place in an office e.g communication
 - d) Commerce – Study of trade and aids to trade

- 2. State any four clauses that are contained in a memorandum of association. (4 marks)**
 - a) Name clause
 - b) Object clause
 - c) Capital clause
 - d) Declaration clause
 - e) Situation clause
 - f) Liability clause

- 3. Outline four ways of determining the size of a firm. (4 marks)**
 - a) Volume of output and sales
 - b) Number of employees
 - c) Capital invested
 - d) Level of technology used/ production method
 - e) Floor area occupied by premises
 - f) Share of the market
 - g) Value of the assets it owns

- 4. Outline four circumstances under which a trader would prefer to transport goods by air. (4 marks)**
 - a) When the goods are perishable
 - b) When goods are urgently required
 - c) When securing highly valued goods
 - d) When accessing remote areas
 - e) When goods are to be delivered over a long distance
 - f) When the business can afford to use it
 - g) When it's the policy of the business

- 5. Name four types of equipment found in finance office. (4 marks)**
 - a) Adding machine
 - b) Cash register
 - c) Calculators

- d) Accounting machine
- e) Computers
- f) Stapler
- g) Paper punch
- f) Money counting machine

6. Indicate whether the factors below cause movement along the demand curve or a shift of the demand curve. (4 marks)

- a) Change in seasons – Shift of the demand curve
- b) Decrease in the price of the commodity – Movement along the demand curve
- c) Negative change in fashion – Shift of the demand curve
- d) Future expectations in change of price – Shift of the demand curve

7. Outline four reasons for government involvement in business activities. (4 marks)

- a) Prevent public exploitation by private business persons.
- b) Provide essential goods and services where private individuals are unwilling.
- c) To carry out projects that require huge capital investment.
- d) Attract foreign investment.
- e) Provision of sensitive goods and services.
- f) Creating employment opportunities.
- g) Prevent foreign dominance in the economy.

8. Outline four challenges that may be faced when using a cellphone. (4 marks)

- a) Damage to ears
- b) Are relatively expensive
- c) Calls/ messages can be tapped
- d) Limited to only places with network
- e) May experience network congestion
- f) Are prone to misuse
- g) Requires constant charging
- h) Probability of loss of handset to thieves
- i) May not be used in banking halls, in law courts when driving vehicles

9. List four documents associated with the delivery of goods from the seller to the buyer. (4 marks)

- a) Delivery note
- b) Consignment note
- c) Packing note
- d) Invoice
- e) Advice note
- f) Goods returned note

10. Highlight four ways that consumers may be exploited by traders. (4 marks)

- a) Overcharging them
- b) False advertisement
- c) Selling poor quality goods and services
- d) Selling wrong quantities
- e) Selling harmful commodities
- f) Hoarding commodities creating artificial shortage

11. Outline four characteristics of basic human wants. (4 marks)

- a) They are felt needs.
- b) One cannot do without them
- c) They are universal
- d) They cannot be postponed
- e) They are necessary for survival
- f) They are satisfied before secondary wants

12. Highlight four circumstances under which personal selling is required. (4 marks)

- a) When launching a new product
- b) When a product is tailored to meet customer's specifications
- c) When demonstration is required
- d) When the value of the product is high
- e) If the business can afford to finance the sales force.
- f) If the market is concentrated in one area.

13. Indicate the reward associated with each of the factors of production in the table below (4 marks)

	Factor of production	Reward
a)	Land	Rent, rates , royalties
b)	Capital	Interest
c)	Labour	Wages/ salaries/ commission
d)	Entrepreneurship	Profits

14. Outline four factors that should be considered when determining premiums to be charged in life assurance. (4 marks)

- a) Age of the assured
- b) The length of the insurance contract
- c) Occupation of the assured
- d) Health status of the assured
- e) Amount of sum assured

f) Residence of assured

15. Mention four features that characterize a market. (4 marks)

- a) Presence of sellers
- b) Presence of buyers
- c) Availability of a good or a service to be sold
- d) Consideration/ price of the product
- e) Medium of exchange
- f) Freedom to buy and sell

16. Explain five differences between an open office and an enclosed office. (10 marks)

	Open office	Enclosed office
i)	Construction cost is low	Costly to construct
ii)	Close supervision of workers	No close supervision of workers
iii)	Maintenance cost is low	Maintenance cost is high
iv)	Discourages absenteeism by employees	Encourages absenteeism
v)	Floor space is saved	A lot of floor space is used
vi)	Office equipment and machines are not misused	Possible misuse of office equipment and machinery
vii)	Staff movement is minimized thus saving time	A lot of time is taken by officers when moving from one office to another
viii)	Promotes teamwork among employees	Reduced interaction among employees

Any 5 x 2 = 10 marks

NB – No splitting

Points must match

17. Explain five methods of determining price of a good other than price control. (10 marks)

- a) Bargaining/ haggling – terms of exchange is negotiated/ argued between buyers and sellers.
- b) Price mechanism – interaction between forces of demand and supply.
- c) Auction – the price of a commodity is set through bidding
- d) Tendering – where buyers are invited to quote their prices. The most favourable tender is considered.
- e) Recommended retail price – where manufacturers agree in prices of commodities.
- f) Collusion – where different market players (buyers and sellers) conspire to fix the price.
- g) Taxation/ subsidy – which influence the selling/ buying price.

18. Explain five principles of insurance. (10 marks)

- a) Insurable interest. One should only insure property that he/ she stands to suffer a direct financial loss in case the risk insured against occurs.

- b) Doctrine of utmost good faith or uberimae fidei. This requires a person taking out insurance cover to disclose all the material facts relating to the person or property being insured.
- c) Indemnity. Putting one in the financial position he/ she was just before the risk insured against took place.
- d) Proximate cause. For insured to be compensated there must be a very close relationship between the loss suffered and the risk insured against.
- e) Subrogation. The remains of the property after the insured has been compensated becomes the property of insurance.
- f) Contribution. If the insured has taken policies with two or more insurance companies covering the same risk, in the event of a loss, all the insurers contribute proportionately to indemnify the insured

19. Explain five internal economies of scale that a firm can enjoy as its production increases. (10 marks)

- a) Managerial economies division of labour and specialization enhances management.
- b) Research economies thus efficient production methods because large firms can afford to finance.
- c) Financial economies. Large firms can access more funds in banks thus has enough funds for expansion and operations.
- d) Technical economies. Large firms use modern machinery which increase efficiency
- e) Marketing economies able to finance aggressive product promotion thus more sales and profits.
- f) Welfare economies. Large firms treat their workers in a better way e.g free housing and medical thus more productivity of workers because of motivation
- g) Risk bearing economies due to diversified products and markets.