

BUSINESS STUDIES
PAPER 1 (565/1)
FORM THREE

SEPT2025

MARKING SCHEME

1. State four ways in which the government can create an enabling environment for the business in a country

- i) By offering incentives to business people
- ii) By offering subsidies to investors
- iii) By providing security to local industries
- iv) By providing political stability.
- v) Through guaranteeing loans

2. State four ways of classifying partners in business enterprises

- i) By age, that is minor or major
- ii) By liability, that is general and limited
- iii) By capital contribution, that is quasi and real.
- iv) By activity, that is active and dormant

3. Classify each of the following as personal, impersonal or private accounts and indicate with (✓) whether their balances are debit or credit balances.

Item	Type of account	Dr	Cr
i)Capital	Private		✓
ii)Creditors	Personal		✓
iii)Wages	Impersonal	✓	
iv)Cash in hand	Impersonal	✓	

(8 × ½)marks

4. Outline four skills that a student would develop when learning when learning Business Studies

- i) Entrepreneurship skills
- ii) Book-keeping skills
- iii) Critical thinking skills
- Iv) Resource management skills
- v) People management skills
- vI) Analytical skills

5. List four ways through which business can control pollution

- i) Adopting better ways of waste disposal, for example distilling used solvents and not disposing used solvents into water sources
- ii) Treating waste to reduce contaminants before disposal
- iii) Recycling and reusing solid waste

iv) Using alternative materials and energy sources that are more environmental friendly e.g solar energy (accept other relevant points)

6. Labour is an essential factor of production .state four barriers that may hinder its mobility

- i) Language barrier
- ii) Lack of money to facilitate movement of labour
- iii) Unattractive terms in some jobs that are available
- iv) Political unrest and insecurity in some areas
- v) Lack of knowledge of available job opportunities in other areas.

7. Outline four benefits that a subsistence producer may get by participating in trade

- i) The producer will earn income
- ii) The producer will dispose of any surplus produce
- iii) Improved product quality due to completion
- iv) Get products that he or she does not produce
- v) Improved living standards since he or she will also access a variety of other products
- vi) Learn new improved production techniques through interaction with other traders

8. Highlight four ways in an entrepreneur can generate business ideas

- i) Brainstorming
- ii) Reading newspaper, magazines and journal
- iii) Building on a hobby or a skill
- iv) Identifying waste or idle resources that can be put to good use
- v) Carrying out market research
- vi) Listening to the complaints and comments of consumer

9. In each of the following cases, indicate whether supply will increase, decrease or remain constant

- a) How the supply of mutton will be affected if the demand for beef rises-Decrease
- b) How the supply of sim cards will be affected if the price of cellphones falls –Increase
- c) How the supply of wool will be affected if the demand for beef increases-Decrease
- d) How the supply of onion will be affected if the price of carrots increases-Remain constant

10. Identify errors that may be revealed by a trial balance

- i) Arithmetic errors made when balancing off ledger accounts
- ii) Errors made when transferring balances from ledgers accounts to the trial balance
- iii) Errors created when credit entries are made without making corresponding debit entries
- iv) Errors involving debit and credit entries of unequal amount
- v) Errors created when debit entries are made with making corresponding credit entries.

11. Highlight four reasons for dishonoring a properly drawn cheque

- i) Insufficient money in the account
- ii) Death of the drawer
- iii) Bankruptcy of the drawer
- iv) Torn, dirty making it illegible
- v) Drawer's instructions to the bank not to pay

12. Mr.Ojwang is a businessman who imports his wares from Middle East for sale in Kenya. Outline for benefits that accrue to him from the use of bonded warehouses

- i) He can prepare goods for sale while in bonded warehouse
- ii) He can look for the market for the goods before paying for duty
- iii) His goods are kept safe
- iv) Some goods improve in quality in the warehouse.
- v) It gives him time to look for the money to pay for custom duty
- vi) The burden of paying for custom duty passes to the buyer if goods are sold while still in the warehouse.

13. Outline for barriers to verbal communication

- i) Poor listening
- ii) Lack of common language
- iii) Poor timing
- iv) Negative attitude towards the sender
- v) Noise
- vi) Unfamiliar non-verbal signs
- vii) Prejudgement

14. Outline four characteristics of an Oligopolistic market structure

- i) Dominated by a few large sellers
- ii) There are barriers to entry
- iii) Products are the same but usually differentiated
- iv) Usually there is collusion in the industry
- v) Firms are mutually interdependent
- vi) Prices set tends to be rigid

15 Reasons for increased motorcycle accidents in Kenya

- i) Over speeding
- ii) Lack of appropriate riding skills
- iii) Ignorance of the Highway Code
- iv) Unload worthy motorcycles
- v) Lack of common courtesy among other road users
- vi) Overloading
- vii) Corruption
- viii) Poor state of roads

16. Highlight limitations of using bill boards to advertise

- i) Expensive to install
- ii) Limited to those who pass through the road?
- iii) Prone to vandalism
- iv) Expensive to maintain
- v) May obscure motorists
- vi) Not effective where customers need to examine the good

17. Outline for advantages of using short channel of distribution

- i) Buyer gets goods at low price (s)
- ii) Buyer gets fresh goods/ good quality
- iii) Direct/ personal contact with the producer
- iv) Buyer can get goods of his/her choice/specification

v) Seller gets immediate feedback/response

18. Outline for factors that influence the location of a firm

i) Availability of raw materials

ii) Market availability

iii) Availability of labour (human resource)

iv) Appropriate transport and communication network

v) Adequate power and water supply

vii) Government policies

viii) Availability of auxiliary services e.g. banks, insurance

ix) Room for expansion

x) Effect of firms on the environment

19. Highlight four uses of national income statistics

i) Used as a tool for investment decision

ii) Measure the standard of living of people

iii) Help to know the contribution of every sector of economy

iv) Help to evaluate performance of a country over a given period of time

v) For planning purposes by the government

vi) To compare the performance of the country with other countries

20. Under which circumstances under which nature of goods influences the means of transport

i) If goods are perishable, a fast means is required

ii) If goods are fragile, a smooth means is required

iii) If goods are highly valued, a safe and secure means is required

iv) If goods are urgently required, a fast means is required

v) If goods are bulky, an appropriate mean is required

21. Sherry traders had the following assets and liabilities as at 1ST January 2004

	Shs
Furniture	350000
Debtors	45000
Cash	7000
Creditors	48000

For the year ended 31st December 2004,

i) Additional capital was shs 24000

ii) Drawings were shs 20000

iii) Net profit was shs 34000

Determine capital at 31st December, 2004

$$A = C + L$$

$$C = A - L = (350000 + 45000 + 7000) - (48000) = 354000$$

Therefore Opening Capital = shs. 345000

$$C.C = O.C + I + P - D$$

$$345000 + 24000 + 34000 - 20000 = 392000$$

22. Highlight four negative implications of a youthful population to an economy

i) High dependency ratio

- ii) Strain on government to provide education and health care
- iii) Pressure on available goods and services associated with young people
- iv) High rate of unemployment
- v) Low per capita income
- vi) Problem of raising revenue by the government
- vii) Reduced savings |Investments

23. Highlight four uses of two column cashbook

- i) reduced bulkiness of general ledgers/Relieves the general ledger of too many accounts
- ii) Facilitate preparation of final accounts/statements
- iii) Monitor inflow and outflow of cash
- iv) Serve as reference concerning sources of money and its uses
- v) Shows money available both in cash and at bank on the same page

24. Highlight four business activities in our economy

- i) Extraction
- ii) Processing of raw materials
- iii) Manufacturing products for sale
- iv) Construction of structures to earn income
- v) Distribution of goods to earn income
- vi) Trading
- vii) Provision of services for a fee

25. Outline four features of human wants

- i) They are insatiable
- ii) They are complimentary
- iii) They are recurrent
- v) They are universal
- vi) They are competitive
- vii) They are habitual
- viii) They require resources.