

BUSINESS STUDIES

FORM 3

END OF YEAR 2025 EXAM (OCTOBER)

MARKING SCHEME

1. Uses of National income statistics

- Show the standard of living.
- Show the contribution of each sector in the country.
- Used in measuring rate of economic growth of a country.
- Aids in development planning by indicating expenditure patterns e.g. consumers expenditure.
- Used to indicate how income is distributed in the country.
- Shows the relative types and use of the factors of production.
- It shows the level of resource utilization indicates how well resources are put into use.

2. Features of general /property insurance.

- The insurance has no surrender value.
- Mainly a short term contract.
- The insured must have immense insurable interest on the property insured.
- The contract is subject to the principle of indemnity.
- It cannot be passed on to any other person apart from the insured.
- Premium is pegged on the value of the risk and the propensity of the risk to occur.

3. The limitation that small –scale retail operators face

- They have limited access to credit facilities especially loan.
- They have a low turnover because of the little capital invested.
- They may suffer bad debts if they give credit to customers who may not be honest.
- They don't enjoy economics of scale
- They don't hire specialists as technical staff because of limited capital. This may lead to inefficiency in business.
- The owners are usually over worked

4. Role of intermediaries

– Breaking the bulk

- Accumulating bulk
- Product promotion
- Provide variety of goods
- Passing information to the consumers/producers
- Reducing the transactions between producers and consumers
 - Avail financiers

5. Features of oligopoly

- There are a few large sellers in the market
- The firms produce homogenous products but differentiated
- There is interdependence among firms
- There is price rigidity

- Firms engage in price wars

6. Pre requisites of transport

-The way

- Method of propulsion
- The terminals
- Units of carriage

7. Documents

- Credit note
- Statement of account
- Catalogue
- An invoice

8. CASH A/C

23.

Dr	Cr
1.1.2014 bal b/d 62,000	25.1.2014 Bank 'c'62,000
<u>62,000</u>	<u>62,000</u>

BANK A/C

Dr	Cr
1.1.2014 bal b/d 233,000 1.1.2014 Debtor 25,000 25.1.2014 Cash 'c' 62,000 <u>320,000</u>	18.1.2014 Creditors 47,000 25.1.2014 Bal c/d 273,000 <u>320,000</u>
Dr 25.1.2014 Bal b/d 273,000	Cr
1.1.2014 bal b/d 60,000 <u>60,000</u> 25.1.2014 Bal b/d 35,000	1.1.2014 Bank 25,000 25.1.2014 Bal c/d 35,000 <u>60,000</u>
Dr	Cr
18.1.2014 bank 47,000	1.1.2014 Bal b/d 78,000

DEBTORS A/C

CREDITORS A/C

25.1.2014 Bal c/d 31,000	
<u>78,000</u>	<u>78,000</u>
	25.1.2014 Bal b/d 31,000

9. Factors that may lead to such a shift

- Increase in consumers level of income
- positive taste and preference
- consumers expectations in price increase and shortages
- large population size
- reduced taxes on the commodities
- increase in price of a substitute
- decrease in price of a compliment
- favourable season

10. over population

- May lead to unemployment
- Strain on available social amenities
- Low standard of living
- Encouraging rural-urban migration
- High dependency level
- Imbalance in demand and supply
- Food shortage
- Increase in crime rate
 - Environmental degradation

11. Highlight four reasons why a small scale business may succeed despite competition it faces from large (4 marks)

- It requires relatively small capital to operate which is easily available
- It can take advantages of a small market
- It may be less complex to manage
- It is very flexible in case there is need to change
- It may be providing personalized services and have strong relationship with customers
- It may be favoured by its location, close to customers it serves (4 marks)

12. Aftersale services

(4 marks)

- Repairs / maintenance of bought and damaged items
- Advice on how to operate the product.
- Installation of equipment / machine.
- Overhauling / rehabilitation of old machine.
- Transportation of items sold
- Provision of spare parts at reduced costs.

13. Sources of monopoly power (4 marks)

- Large capital requirements that can only be affected by the firm
- Where the firm controls supply of an important raw material
- Where a firm has an exclusive technical knowhow in production of a certain commodity
- Existence of a very small market situation that doesn't allow for competition.
- a firm given exclusive monopoly right by the state
- where a firm merge into a single firm

14. Advantages of credit cards (4 marks)

- It is portable hence easy to carry in making purchase
- It enables its holder to obtain credit
- It can be used to get cash from bank out lets
- It can be used to make large purchases
- It is more secure than cash
- It is fashionable, prestigious way of making payments

15. (4 marks)

- To ensure fair competition
- To protect consumers from exploitation
- To protect the environment
- To protect the rights of employees
- To promote social responsibility
- To maintain positive image
- To abide by the country laws.
- To maintain suppliers
- To promote positive cultural practices

16. Features of liners (4 marks)

- Call at parts at regular intervals
- Follow a regular route / fixed net
- Form associations / conferences to protect themselves against unfair competition.
- Charge fixed freightage regardless of demand
- Call at specific parts
- Ferry passengers and cargo

17.

<ul style="list-style-type: none"> -Drawer is an account holder - Drawee is a bank - Is evidence of payment - Is an instruction by as account holder to the bank to pay a specified amount to the named person, his order of bearer. 	<ul style="list-style-type: none"> -A drawer is a creditor -Drawee is a debtor -Is an acknowledgement of a debt -Is an order in writing by a creditor to a debtor requiring the latter to on demand or at stated future date a specified sum of money to a named person, his order of bearer
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18.Factors that may prevent occupational mobility of labour

- The age of the labourer
- Long training period required
- Prejudices
- Lack of required skills
- Fear of change / unknown
- High cost of training
- Lack of information about existing opportunities
- High cost of relocation
- Family ties

Any 4 x 1 = 4mks

19.Causes of changes in capital of a business

- Profit
- Loss
- Additional investments
- Drawings

Any 3 x 1 = 3mks

20.

	Account to debit	Account to credit
a.	Bank	Debtor
b.	Purchases	Creditors
c.	Cash	Bank
d.	Creditor	Cash

21.Four types of income included in national income computation

- Wages / salaries
- Rent and rates
- Profits
- Fees and fines

4mks

22.

Balance sheet

Kasyoki Traders

Trial Balance as at 15th January 2005

Item

Dr

Cr

Capital

150,000✓

Cash at bank	68,000✓	
Machinery	17,500✓	
Premises	50,000✓	
Creditors		19,000✓
Furniture	8,500✓	
Motor van	20,000✓	
Cash in hand	50,000✓	
	<u>169,000</u>	<u>169,000</u>

4 x ½ = 4marks

23.Four circumstances under which a manufacture may locate his firm near the market for the products.

- In case the products are highly perishable
- If the products are very fragile
- In case the product are heavy and bulky
- If the market is concentrated in one area

4mks

24.Contents of the Articles Association

- a) Rights of each type of shareholder
- b) Methods of calling meetings
- c) Rules governing election of officials
- d) Rules regarding preparation and auditing of accounts
- e) Powers, duties, rights of directors
- f) List of directors
- g) Statement signed by directors accepting to act as directors

25. a) Business
- b) Production
- c) Distribution
- d) Consumer