

BUSINESS STUDIES

FORM 3 - PAPER 1

END OF YEAR EXAM 2025

MARKING SCHEME

1. Reason/ circumstances under which a trader would allow credit to a customer when if he she wants to attract more customers

- He /she wants to retain existing customers
- He /she wants to clear old stock
- The customer has been frequently buying
- The customer is honest /credit worthy
- There is adequate stock
- The customers is able to repay

2. - Error of principle

- Errors of original entry
- Compensating errors
- Errors of omission
- Errors of commission
- Errors of complete reversal of entry *max (4x1=4mks)*

3. - Workers loose craftsmanship

- May lead to redundancy
- May cause unemployment
- Its expensive to train /have personnel
- Process may stop in case of breakdown of machines
- Mishandling of machines may result into looses /damages (*max 4x1=4mks*)

4. - Labour

- | | | |
|---|---|------------|
| <ul style="list-style-type: none"> - Land - Entrepreneurship - Capital | } | (4x1=4mks) |
|---|---|------------|

5. Outline four ways in which warehousing promotes trade in Kenya.

(4 marks)

- (i) Ensures steady supply of goods
- (ii) Ensures stability of prices due to steady supply
- (iii) Ensures continuity of production
- (iv) Encourages production in large quantities
- (v) Protects goods from theft

(1×4=4 marks)

(any other relevant answer) (*max (4x1)=4mks*)

6- Strikes

- Withdrawal of firms
- Presence of natural calamities
- High taxation
- Withdrawal of subsidies
- increase in costs of production

7- Persuasive /competitive

- Product
- Informative
- Institutional (4x1=4mks)

8A/C DR	A/C	CR
Creditors'		capital
Cash		capital
Drawing		cash
Purchases		bank

9- Resources are limited

- Needs /wants are unlimited
 - Resources differ in taste/preference /fashion
 - Resources have different prices
 - There are government policies on goods
- (any other relevant answer) (max 4x1)=4mks

10- Cost is high

- Suitable only for large volume of goods
 - Not suitable for bulky good with awkward shapes
 - May cause unemployment i.e is capital intensive
 - Slow especially in sea transport
 - Require special handling facilities
- (any other relevant answer) (max (4x1)=4mks

11. Government intervention eg price control

Haggling /bargaining

Tendering

Auditing

12- Shows assets of business

- Shows what a business owes to others ie liabilities
- Shows source of finance for a business
- Shows net worth of the business
- Can be used to borrow money
- Used in decision making
- Used by investors to know what to invest

Any other relevant answer)

13- Ensure quality goods to customers

- Ensure right quantity /size are offered
- Prevent false adverts directed at customers
- Ensure standards are maintained
- Prevent sale of harmful goods
- Prevent /protect against breach of contracts
- Ensure fair prices
- Curb –hoarding

Any other relevant answer max 4x1)=4mks



14.private company

- 2-50 person
- Does not advertise share
- Can start business on receiving certificate of incorporation
- Managed by 1-2 directors
- Shares are not transferable

public company

- no set maximum
- advertise sale of share
- must wait for certificate of trading
- managed by a board of directors
- shares are transferable

(4x1=4mks) any other relevant answer)

15.- Get after sale services

- Obtain goods at low prices
- Get technical advice on use of goods
- May enjoy genuine /quality products

(any other relevant answer) (max 4x1=4mks)

16- When there is an overcharge

- When goods are returned
- When empty containers are returned
- When goods are not yet delivered yet invoiced /charged
- Where one is charged high price
- Where errors in calculation occur resulting in higher figures than the correct one

Max 4x1=4mks (any other relevant answer)

17- Start business

- Manages business
- Contributes capital
- Enjoy profits
- Bears risks / suffers losses
- Pays for expenses

18 - Local producer- wholesaler-retailer –consumer

- Producer –marketing board –retailer- consumer
- Producer –consumer
- Producer –retailer –consumer

(any other relevant answer)(4x1=4mks)

19- Attract skilled man power

- Easy access to loans
- Increased employee welfare
- Spread of risks/diversification
- Low transport cost
- Enjoy trade discounts

(4x1=4 mks)

20. -Hen –egg /cow –milk

- Torch battery /pen and ink
- Wood /timber /sisal
- sukuma wiki & cabbages

Any other relevant example (4x1=4mks)

21. - Protect document from loss/damage

- Assist in office tidiness /efficiency
- Aid memory –ie reference

- Ensure systematic storage hence easy retrieval
- minimize space
- Prevent document from unauthorized persons

(any other relevant answer)(4x1=4mks)

- 22.
- Less labour mobility
 - Low labour supply
 - High dependency ratio
 - Less progress in society
 - Fall in demand for goods favoured by youths
 - Conservatism /status quo persist

(Any other relevant response) (4x1=4mks)

23.- Asset increase cash at bank decrease

- Asset stock decrease and asset debtor increase
- Asset debtor decrease and asset cash increase
- Asset (building) increase and capital also increase

(4x1=4mks)

24. The following trial balance was incorrectly prepared

KALWAL TRADERS TRIAL BALANCE AS AT 31-12-2004.			
	DR	CR	
CAPITAL		31000✓	
CASH IN HAND	11000✓		
CREDITORS		14000✓	
INSURANCE	12000✓		
DEBTORS	13000		
DRAWINGS	15000✓		
BANK OVER DRAFT		6000✓	
BANK LOAN		18000	
STOCK	<u>18000</u>	<u> </u>	
			<u>96000</u>
<u>96000</u>			

$\frac{1}{2} \times 8 = 4 \text{ marks}$

25

Monopoly

Monopolistic competition

- | | |
|--------------------|-------------------------------|
| - One seller | -many sellers |
| - Seller set price | -prices set by demand& supply |

- | | |
|--------------------------|-----------------------------|
| - There barrier to entry | -No barrier to entry |
| - No perfect knowledge | –there is perfect knowledge |
| - No close substitutes | -there is close substitutes |

(any other relevant answer (4x1=4mks

