

## **FORM 1 BUSINESS STUDIES MARKING SCHEME**

1. Define the following terms as used in business studies. (4mks)
  - a) Production; refers to the creation of goods and services to satisfy human wants
  - b) Distribution; refers to the movement of goods from the manufacturer/producer to the final consumer
  - c) Consumption; refers to the usage of goods and services
  - d) Business refers to any activity carried out with an aim of making profit
  
2. Reasons as to why business studies is offered to secondary students. (4mks)
  - i. Equips them with the skills necessary to start and run a business comfortably
  - ii. Assists individuals in appreciating the role of business in the provision of goods and services
  - iii. Assist individuals to develop positive attitudes towards environment
  - iv. Enables individuals to understand the role of government in business activities
  - v. Enables individuals to acquire self-discipline and positive attitudes towards work
  - vi. Enables individuals to understand the role of communication and information technology in business management.
  - vii. Equips individuals with knowledge and skills required to evaluate business performance
  - viii. Equips individuals to promote cooperation in society through trade
  - ix. Enables them to appreciate the need for good business management practices
  
3. Ways by which an entrepreneur can improve internal operations of a business. (4mks)
  - i. Employing skilled employees
  - ii. Providing adequate capital.
  - iii. Improving management policies/styles
  - iv. Setting clear / achievable objectives
  - v. Identifying better equipment for production vi, Improving business culture.

Well organized/defined business structure
  
4. Types of business activities. (4mks)
  - i. Extraction; refers to activities involving obtaining goods from their natural setting. Such activities include fishing, farming, mining, quarrying, and lumbering
  - ii. Processing of raw materials; refers to activities involving changing the form of a good without combining it with another good e.g. grinding maize, oil refining,
  - iii. Manufacturing; this involves combining raw materials to come out with a final product e.g. bread baking,
  - iv. Distribution of goods; refers to movement of goods from where they are produced to where they are needed
  - v. Trade; is the buying and selling of goods and services with an aim of making profit
  - vi. Provision of services; refers to the selling of services to the consumers e.g. teaching, legal services, nursing etc.
  
5. Types of utility. (4mks)
  - i. place utility
  - ii. time utility
  - iii. possession utility
  - iv. form utility
  
6. Types of business resources. (4mks)
  - i. Physical resources - are the tangible facilities used in the business e.g. premises, vehicles, machinery etc.

- ii. Financial - this is the money required to finance the activities of the business.  
A business with adequate finances is able to meet all its financial obligations, thus succeeding.
- iii. Human resources/- these are the people who work in the business.  
A business is likely to perform well if the workers are skilled and motivated.
- iv. Technology - refers to the skills/methods of production used in the business.

7. State whether each of the following activities would satisfy basic or secondary needs. (4mks)

ACTIVITY	BASIC/SECONDARY
a) Providing water to people in arid areas	Basic
b) Adult education	Secondary
c) Medical care to sick person	Basic
d) Entertaining a guest	secondary

8. Components business studies. (4mks)

- i. Commerce; the study of trade and aids to trade
- ii. Aids to trade includes activities such as insurance, banking, communication, transport e.t.c
- iii. Accounting; refers to the study of the systematic way of recording business transactions for decision making in an organization
- iv. Economics; is the study of how human beings strive to satisfy their unlimited wants using limited resources
- v. Entrepreneurship; refers to the study of activities involving identifying a business opportunity and acquiring the necessary resources to start and run a business
- vi. Office practice; refers to all activities carried out in an office e.g. communication, filing, reproduction of documents, mailing etc

9. Importance of business to a society. (4mks)

- i. Leads to effective utilization of available resources
- ii. Creation of employment
- iii. Generation of government revenue
- iv. Provision of variety of goods
- v. Promotion of peace and understanding among communities
- vi. Promotion of innovation and inventions among people
- vii. Earning of foreign exchange
- viii. Leads to development of social amenities such as dispensaries through social responsibilities

10. Advantages of division of labour and specialization (4mks)

- i. Output per worker is high
- ii. Encourages invention I innovation
- iii. Fast production makes due to use of machines in production
- iv. High quality goods and services may be produced
- v. Saves time due to less movements
- vi. Less mental and physical effort may be expended due to routinely activity

11. Ways by which a well laid business structure can lead to business success. (4mks)

- i. Makes the employees know what is expected of them
- ii. Reduces conflicts / confusions among the workers
- iii. Enhance teamwork
- iv. Ensures proper control of business activities.

12. Benefits of indirect production to a society. (4mks)

- i. Better quality goods available for consumption
- ii. Higher production capacity/surplus production
- iii. Variety of goods provided
- iv. Facilitates exchange! generate income
- v. Creation of employment opportunities to members.
- vi. Enhance higher/better standards of living.
- vii. Promote unity among people due to interaction

13. Factors that make up the external business environment. (4mks)

- i. Economic factors are factors that affect the consumer's ability to buy goods and services e.g. inflation, tax rates, incomes, cost of borrowing finances etc.
- ii. Demographic factors refers to factors affecting the population e.g. size, density age and sex distribution, birth and death rates.
- iii. Socio-cultural factors are the people's beliefs, attitudes, lifestyles which affect the consumers purchasing patterns
- iv. Technological factors refers to the levels of know-how, application of scientific knowledge, tools and equipment in production
- v. Competition is where firms try to outdo each other in their efforts to increase sales
- vi. Physical factors are factors such as infrastructure, climate, relief etc that affect business operations
- vii. Legal [Political factors are laws and legislations that regulate business activities. Political stability can also affect business operation.

14. Define the following terms. (4mks)

- a) Scarcity - limited supply of economic resources
- b) Choice — deciding on the commodity to consume:
- c) Scale of preference. — List of items to satisfy human wants in order of their priority.
- d) Opportunity cost - the value of the forgone alternative where choice has been made.

15. Characteristics of human wants. (4mks)

- i. Unlimited in number/many/numerous/insatiable
- ii. They are complementary
- iii. Competitive/Compete with one another
- iv. Vary in urgency and intensity
- v. Are recurrent
- vi. Require resources
- vii. Are universal

16. Characteristics of land as a factor of production. (4mks)

- i. It is a basic factor of production
- ii. Fixed in supply
- iii. Geographically immobile
- iv. Productivity can be improved by increasing quantity and quality of capital
- v. Subject to the law of diminishing returns
- vi. Quality is not homogenous.

17. Differences between goods and services. (4mks)

Goods	Services
Are tangible	Are intangible
Can be stored	Cannot be stored
Can be standardized	Cannot be standardized
Not all goods are perishable	are highly perishable
Can change possession	Cannot change possession
Can change in value over time	Cannot change in value since cannot be stored

18. Characteristics of economic resource. (4mks)

- i. Limited in supply / scarce
- ii. Have money value
- iii. Unevenly distributed / not found everywhere in equal amounts on the earth surface
- iv. Can change ownership
- v. Can be combined
- vi. Have alternative uses
- vii. Can be complimentary
- ix. Have utility

19. Give the difference between: (4mks)

a) Consumer goods and producer goods

Consumer goods- Consumer goods are demanded for final or direct use by the buyer  
 Producer goods- Producer goods demanded for production of other good

b) Material and non-material goods.

Material goods- Goods that are tangible e.g. food, books, chairs etc.

Non material-Goods that are intangible (services) e.g. teaching, nursing, warehousing etc

20. Reasons why Kenya should exploit the oil discovered in Northern Kenya. (4mks)

- i. To be able to reduce cost of fuel
- ii. To increase government revenue
- iii. To reduce foreign reliance
- iv. To create employment opportunities
- v. To reduce imports/value of imports
- vi. To open up the rural areas
- vii. To raise standards of living of citizens

21. Characteristics of subsistence farming in Kenya. (4mks)

- i. Goods / services are produced mainly for one's own use
- ii. Usually carried out in small scale
- iii. Methods used for production are usually simple
- iv. It involves little or no specialization
- v. The quantities produced are relatively low
- vi. There is usually no surplus for the market

22. Occupations found in the secondary level of production. (4mks)

Food processing, maize milling, oil refining dress making, bread baking  
 Building of bridges, railway, roads etc.

23. Classify each of the following goods as either producer or consumer. (4mks)

<b>Goods</b>	<b>Classification</b>
Factory	Producer
Private car	Consumer
Tools	Producers
Clothing	Consumer

24. Commercial services which are useful to the manufacturer. (4mks)

- i. warehousing
- ii. Transport
- iii. Advertising
- iv. Insurance
- v. Communication

25. Classify the following as either renewable or non renewable resources. (4mks)

<b>Resources</b>	<b>Classification</b>
Soda ash	<b>Renewable</b>
Building stone	<b>Non renewable</b>
Wood	<b>Renewable</b>
Hydroelectric power	<b>Renewable</b>
Gold	<b>Non renewable</b>
Natural rubber	<b>Renewable</b>
Aluminium	<b>Non renewable</b>
Wool	<b>Renewable</b>