**MURUKA ZONE JOINT EXAMINATION**

**FORM 3 BUSINESS STUDIES PAPER 1**

**MARKING SCHEME**

**Reasons for licensing business by the government**

* Source of revenue
* Control illegal businesses
* Control the type of goods entering the county
* Ensure that professionals meet minimum qualifications. (4x1=4 marks)

**2. Contents of memorandum of association in regard to formation of companies.**

* Situation clause
* Objective clause
* Name clause
* Capital clause
* Liability clause. (4x1=4 marks)

**3. State four reasons why an entrepreneur would draw a business plan.**

* To accommodate change
* To avoid making mistakes
* For optimum allocation of resources
* Used to solicit credit
* To make worker goal oriented
* To identify strengths and weakness
* To identify strengths and weakness in business. (4x1=4 marks)

**4. Terms given to each of the following statements as used in insurance**

* Temporary certificate- **Binder**
* Periodic payment by policy holders-**Premium**
* Acquiring rights of the remains of destroying property by the insurer.-**Subrogation**
* Life insurance lasting for a specific period.-**Endowment policy** (4x1=4 marks)

**5. Implications of young population on society.**

* High dependency ratio
* Per capital income may be low
* Low savings
* Most resources will be channel towards providing for the youth.
* Low supply of labour (4x1=4 marks)

**6. Advantages of a bounded warehouse to the government.**

* Customs and exercise duty forms government income
* Assist in detecting illegal goods
* Helps to collect date and statistics
* Is useful in implementation of government policies regarding imports and exports.
* May be used by the government to check quality of goods entering the country (4x1=4 marks)

**7. Reasons why firms with popular products find it necessary to continuously advertise the same popular product.**

* Sustain customers
* Improve image of the firm
* Make new customers
* Inform on new changes of product
* To remind a customer that product exists. (4x1=4 marks)

**8.** 7. The diagram **below** shows the circular flow of income in a two sector economy.

HOUSEHOLDS

FIRMS

A

B

C

D

The parts marked **A**, **B**, **C** and **D**.

**A** – Factor of production (Land, labour, capital and entrepreneurship).

**B** – Payments for factors of production (Rent, wages, interest and profit).

**C** – Payment for goods and services.

**D** – Goods and services. (4 x 1 = 4mks)

**9. Circumstances under which face to face communication would be preferable**

* When immediate feedback is required
* If there is need for personal appeal
* If there is need for simplicity
* If there is need for demonstration
* If there are no intermediaries
* When there is need to persuade/convince
* When confidentiality is required. (4x1=4 marks)

**10. Ways in which a government may control monopoly power.**

* Through anti-trust laws
* Price control registration
* Direct regulation
* Licensing. (4x1=4 marks)

**11. Factors that influence choice of an appropriate means of transport**

* Transport cost -Availability of means
* Security -Urgency and speed
* Safety -Flexibility
* Terminals -Reliability
* Nature of goods -Value of goods
* Accessibility (4x1=4 marks)

**12. Difficulties faced by human beings in satisfying their wants.**

* **Wants are unlimited in number**
* Resources to satisfy the wants are inadequate.
* Human wants change with time/age/gender
* They are repetitive/recurring/insatiable
* Some are habitual
* Problem of choice (4x1=4 marks)

13.

**Mwangi Traders**

**Balance sheet**

**As at 1st Jan. 2006**

Land 120,000 Capital 140,000

Debtors 12,000 Creditors 15,000

Cash 36,000 Bank overdraft 45,000

Equipment 32,000

200,000 200,000

**14. In the spaces provided, indicate whether the following accounts are personal, nominal or real.**

|  |  |
| --- | --- |
| Account | Type |
| a) Capital | Personal |
| b) Wages | Nominal |
| c) Stock | Real |
| d) Discount | Nominal |

(4x1=4 marks)

**15. Reasons that made the cheque be dishonoured.**

* Insufficient cash in drawers account.
* Postdated cheque.
* Stale cheque.
* If the drawer has closed his account with the bank.
* In case of any alteration that’s not signed against on the cheque.
* When drawer signature differ with specimen signature in the bank. (4x1=4 marks)

**16. Features for such a production unit.**

* Production carried out mainly on large scale
* Goods and services produced are mainly for sale
* Modern technology is used
* There is surplus produce
* High quality goods produced
* Wide variety of goods produced. (4x1=4 marks)

**17. Reasons that may limit the growth of a country’s national income.**

* Inadequate labour force
* Inefficient unskilled labour force
* Inadequate capital resources
* Inadequate technology
* Political instability
* Poor natural resource endowment
* Poor planning. (4x1=4 marks)

**18. Advantages of using electronic filing system.**

* Easy retrieval of documents
* Require little office space
* Relatively cheap
* Easy to operate
* Provides various storage devices
* Easily adaptable

**19. Advantages of an itinerant traders**

Flexibility

* Pays little or no levies for premises
* Has a higher chance of making more sales
* Contact with customers
* Requires little capital to start and operate.

**20. Reasons for starting a business.**

* + To earn profit
  + To create employment
  + To make use of local resources
  + To utilize spare/leisure time
  + To be an own boss

As an outlet of new innovation

**21.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Capital** | **Assets** | **Liabilities** |
| A | 80,000 | **140,000** | 60,000 |
| B | 164,000 | 398,000 | **234,000** |
| C | **244,500** | 406,000 | 162,000 |
| D | 30,000 | 100,000 | **70,000** |

**22. Reasons why ethical needs should be considered when running a business**. (4mks)

* To ensure fair competition.
* To ensure environmental conservation.
* To uphold employees rights.
* To avoid consumer exploitation.
* To ensure professionalism when running business.

**23. Type of utilities created by commercial activities.**

|  |  |
| --- | --- |
| **Commercial activity** | **Type of utility** |
| Selling bread to the students | Possession |
| Shipping goods to Kenya | Place |
| Warehousing | Time |
| Baking of Bread | Form |

**24. Ways in which the size of a firm can be determined. (4 marks)**

* The size of plant and premises.
* Volume of total output and sales
* Type of technology and the production process
* Type of product and the production process
* Share of market and competition
* Total capital outlay
* Number of employees

**25. Circumstances where a manufacturer would sell his goods directly to the consumer.(4 marks)**

* Where goods are of technical nature.
* If he is to avoid competition
* Where manufacturer has enough funds
* Where products are of high value
* Where goods may require after sale services.
* Where good are perishable
* If the market is concentrated.