

**OPENER EXAMINATION: TERM 1 2024**  
**FORM 3**  
**BUSINESS STUDIES**  
**MARKING SCHEME**

**1. Disciplines of business studies.**

- ❖ Accounting
- ❖ Economics
- ❖ Commerce
- ❖ Office practice

**4 Marks**

**2. Characteristics of an effective warehouse.**

- ❖ *Suitable location*
- ❖ *Proper building design*
- ❖ *Appropriate equipment/facilities.*
- ❖ *Good transport and communication system.*
- ❖ *Adequate space.*
- ❖ *Appropriate staff.*
- ❖ *Compliance with the law*

**3. Factors that may positively influence the internal operations of a business.**

- ❖ *A well laid out business structure.*
- ❖ *Adequate human resources.*
- ❖ *A positive business culture.*
- ❖ *Good management style.*
- ❖ *Clear objectives.*
- ❖ *Good decision by the owners.*

**4. Differences between a public limited company and a public corporation.**

<b>Public Limited Company</b>	<b>Public Corporation</b>
<i>a) Owned by shareholders.</i>	<i>a) Owned by the Government</i>
<i>b) Formed under the companies Act.</i>	<i>b) Formed by an Act of Parliament</i>
<i>c) Main source of capital is sale of share</i>	<i>c) Capital comes from the Government</i>
<i>d) Directors are elected by shareholders</i>	<i>d) Directors appointed by the government.</i>
<i>e) mainly to make profits</i>	<i>e) Formed to provide essential services.</i>
<i>f) Profits shared by shareholders as dividends.</i>	<i>f) Profits go to the government.</i>

**5. Principles that govern the operations of co-operative societies in Kenya.**

- ❖ *Voluntary membership.*
- ❖ *Democratic administration.*
- ❖ *Education for members.*
- ❖ *Limited interest on share capital.*
- ❖ *Dividend to members.*

**4 Marks**

**6. Reasons why the government is involved in business activities.**

- ❖ *To create employment.*
- ❖ *To attract foreign investment.*
- ❖ *To provide essential goods and services.*
- ❖ *To produce goods and services that require a large amount of capital.*
- ❖ *To provide goods and services that are too sensitive to be left in private hands.*
- ❖ *To prevent foreign dominance.*
- ❖ *To protect consumers from exploitation.*

**Any 4x1=4mks**

**7. Benefits of advertising to a consumer.**

- ❖ *Consumers are educated on how to use the goods.*
- ❖ *Consumers are informed about the offers in the market*
- ❖ *Consumers benefit from reduced prices from competitive advertising.*
- ❖ *Information about the price and other features of the product is availed.*
- ❖ *Customers enjoy wide variety of goods produced as firms strive to outdo each other.*
- ❖ *Consumers are made aware of goods available in the market.*
- ❖ *Consumers are informed on where to get the product.*

**Any 4x1=4mks**

**8. State the characteristic of human want that match the descriptions given below. (4 marks)**

- ❖ *Complimentary*
- ❖ *Universal*
- ❖ *Insatiable*
- ❖ *Recurrent*

**9. Importance of entrepreneurship.**

- ❖ *It helps in creation of employment.*
- ❖ *Helps to reduce rural- urban migration.*
- ❖ *Raise standards of living.*
- ❖ *Saving on imports.*
- ❖ *Improving of infrastructure.*
- ❖ *Reducing foreign dominance.*
- ❖ *Promotion of technology*
- ❖ *Promotion of entrepreneurial culture.*
- ❖ *Making use of local resources.*

**10. State four roles of Nairobi security exchange market.4mks**

- ❖ *Facilitates buying of shares*
- ❖ *Facilitates selling of shares*
- ❖ *Promotes a culture of saving*
- ❖ *Safeguards investors interests*

**11. Outline four factors to consider when choosing a means of transport. 4mks**

- ❖ *Distance*
- ❖ *Reliability*
- ❖ *Cost*
- ❖ *Nature of goods*
- ❖ *Availability*

**12.** If goods worth sh 200,000 are insured for sh 150,000 against risk of fire. Fire occurred and partially destroy the goods worth sh 100,000. Calculate how much compensation was given. 4mks

*Compensation = sum insured / value of the policy x loss*

$$= \frac{150,000}{200,000} \times 100,000 = 75,000$$

**13. List four disadvantages of supermarkets.**

(4 mks)

- ❖ *Don't offer credit*
- ❖ *Don't deliver goods*
- ❖ *Don't give personal services*
- ❖ *Losses due to pilferage*
- ❖ *Impulse buying (to the buyer)*

**14. Advantages of written communication.**

- (a) *Can be retained for future reference.*
- (b) *It is suitable for confidential messages.*
- (c) *Can be used as evidence.*
- (d) *Can be addressed to many people.*
- (e) *Message cannot be distorted.*
- (f) *Can be used to communicate complicated messages.*
- (g) *Suitable if the message is detailed.*
- (h) *It is relatively cheap.*

(Any 4 x 1 = 4 marks)

**15. Highlight four reasons for which business should observe ethical practice. (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. Outline four features of liners is sea transport. (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. State four benefits of a business plan to a business (4marks)**

- ❖ *Used to attract funding from potential investors and lenders*
- ❖ *Tests the business idea on paper before its implemented*
- ❖ *It minimises the impact of disruptions of business activities that may arise due to unforeseen circumstances*
- ❖ *It can be used to evaluate the performance of a business*
- ❖ *It guides management decisions and actions on day to day basis* **Any 4 x 1 = 4mks**

**18. Identify four ways in which natural resources may be of benefit to a country**

- ❖ *Their exploitation creates employment opportunities for their citizen*
- ❖ *They provide raw materials for the industries*
- ❖ *They are used to generate income for the country e.g. foreign income from tourists*
- ❖ *They are basic factors for sustenance of life*
- ❖ *They provide means of transport*
- ❖ *They may be used to generate hydro-electric power* **Any 4 x 1 = 4mks**

**19. Give four factors an insurance company may consider when calculating premium to be charged in life assurance (4marks)**

- ❖ *Age of the assured*
- ❖ *Occupation of the assured*
- ❖ *Residence of the assured*
- ❖ *Health status of the assured*
- ❖ *The amount of the sum assumed*
- ❖ *The length of the contract*

**20. Outline four measures that may be taken by an office to safeguard the property of the organization** (4mks)

- ❖ *Taking insurance cover*
- ❖ *Employing security guards*
- ❖ *Physical stock taking*
- ❖ *Recording movement and use of property*
- ❖ *Proper repairs /servicing/maintenance*
- ❖ *Physical care by users*

**21. A resource is something that is used by a business to achieve an objective. Identify four resources available in a business.** (4mks)

- ❖ *Human resources*
- ❖ *Financial resources*
- ❖ *Physical resource*
- ❖ *Technology*

**22. Name four sources of energy which are environmentally friendly.** (4 marks)

- ❖ *Solar*
- ❖ *Biogas*
- ❖ *Wind*
- ❖ *Geothermal*

(4x1=4marks)

**23. State four benefits of M-pesa as a means of remitting money.** (4 marks)

- ❖ *Cheap to operate/ less charge*
- ❖ *Readily available in most parts of the country*
- ❖ *Money can be deposited easily*
- ❖ *Money can be withdrawn easily/ less procedures*

**24. Distinction between sets of goods and services.**

- (i) Free and economic goods  
*Free goods are those that are available in abundance as gifts of nature and have no price attached while economic goods are those that are scarce in supply and have money value.*
- (ii) Producer goods and consumer goods.  
*Producer goods are those produced to be used in producing others while consumer goods are goods that are readily usable by the final consumer.*
- (iii) Perishable and Durable goods.  
*Perishable goods are goods that go bad very easily unless stored using special facilities while durable goods are those that will continue giving service for a long time without spillage.*
- (iv) Public goods and private goods  
*Public goods are those that belong to no one in particular but are owed by the government or all of us collectively while private goods are owned by individuals or groups of individuals in their private capacities.*

(4x2 = 8mks)