

MARKING SCHEME

BUSINESS STUDIES

PAPER 1

FORM 3

END TERM 2 EXAMINATION

JULY/AUGUST 2025

1. Outline FOUR negative effects of an aging population to an economy. (4mrks)

(i) Deficiency of an economically active labour/low labour supply.

(ii) Increase in welfare costs

(iii) Need to import labour leads to negative effects on the foreign exchange reserves.

(i) Increase in dependency ratio

(ii) Rigidity to change

(iii) Fall in demand for goods consumed by the elderly/aged

(iv) Low savings leading to low investment

2. Outline FOUR factors that one should consider in choosing a means of transporting perishable goods. (4mrks)

(i) Unit value of the product/ cost of goods

(ii) Availability of specialized unit of carriage

(iii) Urgency required at the destination.

(iv) Distance

(v) Cost of transporting goods.

(vi) Volume/quantity of the goods.

3. State FOUR elements of the demographic environment that may influence the operation of the business. (4mrks)

(i) The population size

(ii) The geographical distribution of the population

(iii) The population density

(iv) The distribution of population in terms of gender

(v) The distribution of the population in terms of age

(vi) Birth rate

(vii) The death rate/mortality rate

(vii) Immigration rate

(viii) Emigration rate

(ix) Health of the population

4. Apart from forces of demand and supply, state FOUR other ways of determining the price of a commodity. (4mrks)

(i) Bargaining/haggling

(ii) Tendering

(iii) Auctioning

(iv) Government intervention/price control

5. Outline FOUR reasons why hypermarkets are becoming exceedingly popular in Kenya. (4mrks)

(i) Easily accessible by road

(ii) Shopping can be done under one roof

(iii) Ample parking

(iv) Operate for longer hours

(v) Attractive and convenient to shop in

(vi) Saves on space thus reducing on land rates

(vii) They may offer after sale services

(viii) Security is guaranteed

(ix) Located in the outskirts of town

(x) Accept debits and credit cards

6. State FOUR reasons why ethical practice is important in product promotion. (4mrks)

(i) To encourage selling of quality goods

(ii) To safeguard cultural practices

(iii) To encourage disclosure of information about the product

(iv) To ensure compliance with the existing government legislation

(v) To curb environmental degradation

(vi) To safeguard competition in the market

(vii) To safeguard consumers against false advertisements

7. Highlight FOUR characteristics of monopolistic competitive market. (4mrks)

(i) Many buyers and sellers

(ii) Free entry and exit into the market

(iii) Commodities are close substitutes

(iv) All firms earn normal profits in the longrun

(v) Firms are independent

(vi) Entry or exit of firms does not affect the market significantly

(vii) No single firm has control over the factors of production

(viii) perfect knowledge of the market by buyers and sellers

8. Highlight FOUR benefits of a Business Plan to an entrepreneur. (4mrks)

(i) Facilitate acquisition of loans from financial institutions and other financiers

(ii) Provides guidance for opening new or expanding existing business

(iii) It acts as a management/monitoring tool for the business

(iv) It is a tool for evaluating business performance

(v) It lays the strategy to be used in marketing the product

(vi) It enhances the credibility of the business

(vii) It is a motivational tool

(viii) helps to avoid mistakes

(ix) It enhances proper location of the business

9. Outline FOUR reasons why an increase in per capita income may not necessarily lead to a rise in the standards of living of the citizens of Kenya. (4mrks)

(i) Per capita income is an average and hence mere statistics

(ii) Per capita income may be high but income may be unevenly distributed

(iii) Those not involved in the generation of the national income are also included in the calculation

(iv) High taxes may erode the real value of per capita income

(v) May be obtained through a strain of people's health

(vi) Inflation may affect the purchasing power of the consumer

10. Outline FOUR benefits that a Savings and Credit Cooperative Society provide to its members. (4mrks)

(i) Encourage members to save by making regular payments

(ii) Provide loan facilities to members at low interest rates

(iii) Provide education to members

(iv) Members earn interest on share capital

(v) Loan to member is written off in case he/she dies

(vi) Give loans to members on easy terms and conditions

(vii) Member's savings is doubled and given to the beneficiaries in the event the member dies

(viii) Members get dividends in form of share profit

11. State FOUR circumstances under which one may decide to start a personal business. (4mrks)

(i) Where there is need to create employment

(ii) Where additional income is needed

(iii) Where there is need to apply the business skills acquired

(iv) Where there need to invest the surplus funds

(v) Where one as a business plan to implement

(vi) Where one wants to become self-boss

(vi) Where there is existence of a market gap

(vii) Where there is need to use talent

(viii) Where there is need to use spare time

12. Outline FOUR risks against which a shopkeeper may insure. (4mrks)

(i) Occupational hazards on employees/work'sman cmpensation

(ii) Loss of property through fire/fire policy

(iii) Theft and burglary of property/ theft and burglary policy

(iv) Goods on transit/goods on transit policy

13. Highlight FOUR merits of using electronic filing system. (4mrks)

(i) Easy access to files

(ii) Less paper work

(iii) Enhances safety of the files

(iv) Reduction on the labour cost

(v) Time saving in retrieval of the files

(vi) enhances neatness of the office

(vii) It is environmental friendly

14. Highlight FOUR features of economic resources. (4mrks)

(i) Scarce in supply

(ii) Have money value

(iii) Have utility

(iv) Are unevenly distributed

(v) Have alternative uses

(vi) Can change ownership

15. State FOUR drawbacks of using internet as a means of communication. (4mrks)

(i) Most hardware required are expensive to acquire

(ii) Accessing internet is expensive

(iii) Prone to attacks by fraudsters/hackers/lack of confidentiality

(iv) It may be affected by virus

(v) It is prone to network over-road congestion

(vi) Affected by the disruption of the network

16. Highlight FOUR benefits that would accrue to a firm located near other existing firms. (4mrks)

(i) Enjoyment of the existing infrastructure

- (ii) Easy access to a pool of labour**
- (iii) Easy access to raw materials**
- (iv) Collaboration with the existing firms in research and development**
- (v) Availability of auxiliary services**
- (vi) Access to ready market**
- (vii) Access to security**
- (viii) Access to social amenities**

17. Highlight FOUR features of Bonded warehouse. (4mrks)

- (i) Goods can be bonded until custom duty is paid**
- (ii) Goods can be re-exported while in the bonded warehouse**
- (iii) Storage charges are paid on all goods stored in the warehouse**
- (iv) Goods can be sold while still under bond**
- (v) Goods can be inspected or prepared for sale while still under the bond**
- (vi) Goods are released only on the production of release warrant**
- (vii) Are located at the border points of a country**

18. Outline FOUR ways in which Commercial Attaches may promote trade between their country and other countries. (4mrks)

- (i) Assisting business people to participate in external trade fairs or exhibitions**
- (ii) Conducting market research for local products**
- (iii) Educate local traders on the available market opportunities**
- (iv) Organising educational tours abroad**
- (v) Inform exporters on standards and prices of products in the foreign markets**
- (vi) Promotes good relations among the trading countries**
- (vii) Publish and advertise their countries' exports**
- (viii) Keep statistics of products**
- (ix) Make detailed report on commercial activities**
- (x) Select distribution agents of a country**
- (xi) Carry out market research**

19. Highlight FOUR factors that could influence mobility of capital as a factor of production. (4mrks)

(i) Different uses in which capital can be put to/degree of specialization

(ii) Amount capital available

(iii) Skills/knowledge available to operate the capital

(iv) Government policy

(v) Government's goodwill

(vi) Time taken to modify

(vii) Reward offered

(viii) Nature of capital i.e fixed or liquid

(ix) Cost of moving the capital

(x) Time when the capital had been in use

20. Highlight FOUR roles played by the intermediaries in the chain of distribution. (4mrks)

(i) Reducing transactions between producers and consumers

(ii) Breaking bulk

(iii) Accumulating bulk

(iv) Risk taking

(v) Providing finances

(vi) Passing of information

(vii) Product promotion

(viii) Transport and storage of goods

(ix) Providing variety

(x) Availing goods to customers

21. Outline FOUR effects of expansion in demand with the supply remaining constant. (4mrks)

(i) Increase in equilibrium price

(ii) Increase in equilibrium quantities

(iii) Shift in market equilibrium upwards

(iv) Creation of excess demand in the market

22. State the canons of insurance described in the statements given below;

(i) Restoring the insured to the original financial position after suffering loss from insured risk. (1mrk)

Principle of indemnity

(ii) Existence of a very close relationship between the loss suffered and the insured risk. (1mrk)

Principle of proximate cause

(iii) The insurer taking ownership of the remains of the destroyed property after the insured is duly compensated. (1mrk)

Principle of subrogation

(iv) Proof that the insured will suffer direct financial loss if property is destroyed. (1mrk)

Principle of insurable interest

23. Outline FOUR circumstances under which Cash With Order may be used. (4mrks)

(i) When the buyer is new to the seller

(ii) Where the buyer's creditworthiness is in question/doubt

(iii) Where the seller is operating mail order store

(iv) Where cash with order is the policy of the business

24. List FOUR types of debentures. (4mrks)

(i) Redeemable debentures

(ii) Irredeemable debentures

(iii) Mortgage debentures

(iv) Naked/unsecured debentures

25. Highlight FOUR demerits of M-pesa in sending and receiving money. (4mrks)

(i) Network problems may affect mpesa transactions

(ii) One must have mobile phone in order to send or receive money through mpesa

(iii) Transaction charges are applied in sending and withdrawing money via mpesa

(iv) Money may mistakenly send to the wrong recipient

(v) Requires personal identification number to operate

(vi) Money may be stolen if the mpesa pin fall in the wrong hands



