

END TERM 3 2026

MARKING SCHEME BUSINESS STUDIES PP1 FORM 3 565/1

1. **Reasons why consumers satisfy basic wants before secondary wants. (4 marks)**
 - Human wants are felt needs.
 - Their nature cannot allow man to postpone their satisfaction
 - Scarce resources
 - Human wants are needed for survival
2. **Circumstances under which a partnership form of Business unit can be dissolved. (4 marks)**
 - If the partners mutually agree to dissolve the business.
 - If the partnership has achieved its intended purpose.
 - If the court orders the business to dissolve.
 - If a partner requests for dissolution in writing.
 - Where there are continuous disagreements among the partners.
 - In case of death, insecurity or bankruptcy of a partner.
3. **Ways in which productivity of labour can be improved as a factor of production**
 - Through training
 - Through proper remuneration of workers
 - Provision of fringe benefits e.g. housing
 - Through good supervision
 - Improved machinery
 - Involving workers in decision making
 - Provision of good working environment

(4 x 1 = 4marks)
4. **Features of trade credit as a source of finance for business units. 4 marks)**
 - It is a short term credit facility.
 - Does not require a down payment.
 - Buyer takes ownership of goods immediately.
 - Usually paid at once.
 - No interest payable if paid within agreed period.
5.
 - (i) **MORTALITY RATE** – refers to the number of deaths within a given area or group over a given period of time
 - (ii) **FERTILITY RATE** - refers to the productivity of a country's population
 - (iii) **BIRTH RATE** – is the number of live births in a year per 1000 people
 - (iv) **OPTIMUM POPULATION** – population level where the number of people is in balance with the existing resources.
6. **Documents that are issued at order stage. (4 marks)**
 - Local purchase order
 - Acknowledgement note.
 - Credit status inquiry
 - Pro forma invoice
7. **Disadvantages of a landscape office layout. (4 marks)**
 - Expensive to set up and maintain.
 - Distractions from machines and colleagues

- Senior officers are not placed in areas of privacy
- Confidential work may not be conveniently done.

8. External factors that may positively influence the operations of business. (4 marks)

- Fair competition.
- Favourable legal framework/government policy.
- Reliable supply system/suppliers.
- Political stability.
- Security.
- Good infrastructure.
- Stable economic environment.

9. Roles played by broker in the chain of distribution. (4 marks)

- Linking the buyer and the seller.
- Bargaining for the principal
- Passing information between principal and the client.
- Facilitating access to a variety of goods and services to the buyer.
- Providing an avenue for the seller to access many buyers.
- Giving advice to buyers and sellers on market trends.

10. Why the government issues licenses to business persons. (4 marks)

- To regulate the number of businesses
- To raise revenue for the government
- To ensure that there are no illegal businesses.
- To ensure that traders engage only in trade activities that they have licenses for.
- To ensure that those who engage in professional activities meet the requirements of the profession.
- To control the type of goods entering or leaving the country.

11. Criteria used in determining the size of a firm. (4 marks)

- Sales volume
- Volume of output
- Number of employees
- Capital invested
- Production methods

12. Circumstances under which capital may change. (4 marks)

- When the business makes profit.
- When the business makes losses.
- When the withdraws cash/goods for personal use.
- When the owner makes additional investment to the business.

13. Mention the withdrawals and injections in the circular flow of income. (3 marks)

	Withdrawals	Injections
(i)	Savings	Government spending
(ii)	Taxes	Investment
(iii)	Imports	Exports

14. Benefits of a trader who operates small retail outlet. (4 marks)

- Only a small amount of capital is required.
- He gives personal attention to customers.
- The business is flexible.

- It is easy to manage.
- It is easy to start.
- Few legal formalities are required.
- Fast decision making.
- Maintenance of business secrets.
- No sharing of profits.
- Can get cheap labour from family members.
- One is own boss.

15. Criticisms of perfect competition market structure. (4 marks)

- Very few firms produce homogenous product
- Government usually intervene in business activities
- Consumers prefer a variety of products
- Information does not freely flow in real markets
- Firms are not found in one place to cut on transport costs

16. Benefits that a trader may get by advertising products in a newspaper. (4 marks)

- Wide coverage-message can reach a lot of people.
- Evidence of message exists.
- Graphical details can be included.
- A trader has a chance to compete with other traders.
- A trader has a chance of increasing sales.
- A trader can choose a suitable page.
- Easy to locate advert.

- 17.** W - sh. 155,000
X - sh. 73,600
Y - sh. 138,600
Z- sh. 335,620

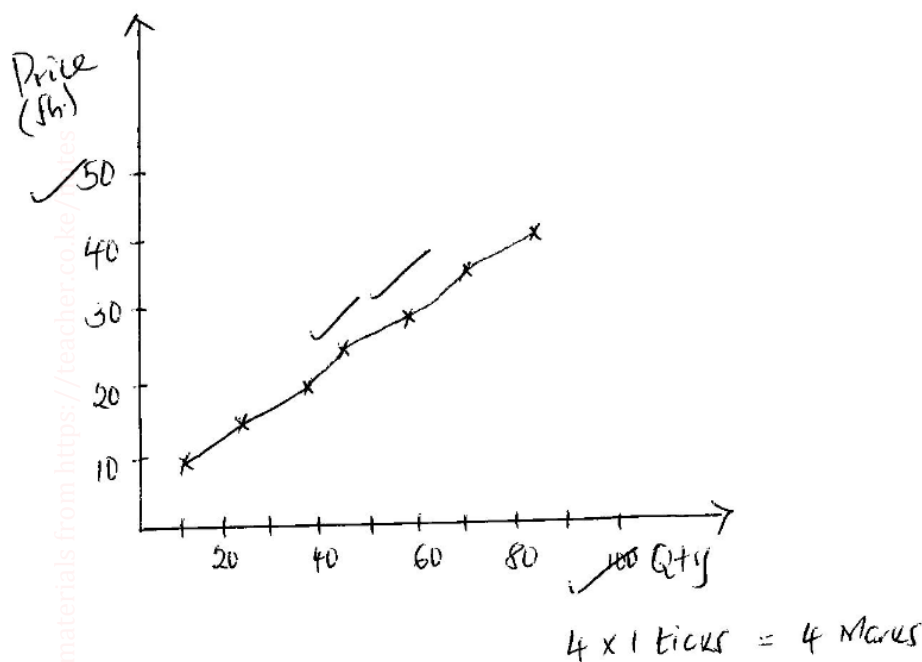
18. Ways in which ethical practices in business ensures that consumers are not exploited. (4 marks)

- Ensures production of high quality goods
- Ensures traders sell goods at fair prices.
- Ensures traders sell goods of right quantity
- Ensures trades don't give false information on goods produced.

19. Challenges that may be faced by a person who communicates using a mobile phone. (4 marks)

- Its use may be limited where there is lack of network
- May not be used under certain circumstances e.g. banking halls, public offices, Hospitals etc
- Possibility loss of handset to thieves
- Requires constant charging
- Prone to misuse e.g. fraud
- Difficult to operate

20. Supply curve



21. Features of a parastatal.

(4 marks)

- It is formed under the act of parliament.
- It is owned by the government.
- Government provides its initial capital.
- Managed by a chairman and a board of directors.
- It is formed to provide essential services and goods to citizens.
- It is a separate legal entity.

22. Advantages of using television as an advertising media.

- Combines sound, words and motion pictures which make advertising appeal.
- Show most product features.
- Educate customers on the usage of products.
- They are entertaining and hard to ignore.
- Appreciated by both literate and illiterate.
- Advertisement may be aired as frequently as required.
- Advertisement may be modified as need arises.

(4 x 1 = 4mks)

23. Ways in which a warehouse is of importance to a manufacturer.

- Goods can be produced in advance to meet the customer demand.
- Production can be continuous if need arises.
- Can offer steady supply of seasonal goods.
- Goods are protected from physical damages.
- Manufacturers can store raw materials.
- Goods are protected from pilferage.
- Goods can be prepared for sale.
- Some goods mature/improve in quality while in the warehouse.

Accept any relevant point

(4 x 1 = 4marks)

24.
$$\begin{aligned} \text{CC} &= \text{OP} + \text{I} + \text{P} - \text{D}\checkmark \\ \text{P} &= \text{CC} + \text{D} - \text{OP} - \text{I} \\ 470,000 + 100,000 - 350,000 - 100,000\checkmark \\ 570,000 - 450,000 \\ &= \text{SH. } 120,000\checkmark\checkmark \end{aligned}$$

25. **Ledgers in which accounts are maintained.**

5 marks

- Sales/debtors
- General/real
- Nominal
- Private
- Purchases/bought/creditors