

END TERM 3 2026
565/2
FORM 3
PAPER 2
TIME 2 ½ HOURS
MARKING SCHEME

1.

a) USE OF NATIONAL INCOME STATISTICS

- (i) Indicator/ measure of standard of living an increase/ improvement of NI indicate higher/ improved standard of living/ vice versa.
- (ii) Comparison of standard of living between countries -countries with high NI are deemed to have high standard of living/ vice versa.
- (iii) Indicator/ measure of economic growth/ performance the period with high NI is considered to be better off/ Vice versa.
- (iv) Economic planning by comparing performance/ data/ different sectors/ regions/ for better/ efficient allocation/ use of resources.
- (v) Attracts investment/ from investment decision on sector to invest/ amount to invest/ growth in NI will encourage investors/ vice versa.
- (vi) Provide information on distribution/ contribution of income which help the government to address income/ production disparities / to identify priority sector/ regions.
- (vii) To attract foreign aid/ donor funding when a country show a strong economic growth/ when experiencing challenges to finance its development/ for budgetary support.
- (viii) Calculate/ determine per capital income by dividing NI y population.
- (ix) Compare standard of living in a country between different years/ period – the year/ period the NI is high is said to have a high standard of living/ vice versa.

b) REASONS FOR GOVT INVOLVEMENT IN B/S ACTIVITIES

- (i) Strategic reasons to enhance self sufficiency in supply/ without which a country will be vulnerable.
- (ii) Promotion in price stability to protect consumer encourage production.
- (iii) Provision of essential goods/ services at affordable prices.
- (iv) Provision of large capital investment which private sectors may not be able to raise / without which development would be minimal.
- (v) Stimulation of economic development by developing social amenities/ infrastructure/ injecting funds into economy/ through develop projects.
- (vi) Creation of employment to earn a living/ improve their standard of living.
- (vii) Income generation/ increase government revenue through licensing / taxation/ to finance public expenditure.
- (viii) To provide low profit/ unprofitable goods/ services that private business are unwilling to provide.
- (ix) To provide risky goods/ services that may be a threat to national security.
- (x) To provide sensitive goods/ services that may adversely affect the stability of the economy.
- (xi) To reduce foreign dominance which would compromise the sovereignty of a country?
- (xii) To avoid wasteful/ competition thereby promoting efficient use/ allocation of resources/ minimize wastage.
- (xiii) To break/ avoid monopolistic tendencies by starting competition business/ by enhancing competition.
- (xiv) To provide regulatory services for smooth operations.

2.

a) CIRCUMSTANCES UNDER WHICH CONTAINERS MAY BE USED TO TRANSPORT GOODS.

- (i) Where specialized equipment's are available for ease/ fast loading/ off-loading.
- (ii) Where safety of goods need to be guaranteed since containers are strong/ enclosed.
- (iii) Where goods are special as containers for specialized goods are available/ can be designed for them.
- (iv) Where there is need to save on insurance cost/ premiums as chances of theft/ damaged / risks to goods are minimal.
- (v) Where the firm can afford the cost of containers to enhance its image/ its operations.
- (vi) Where there is need to enhance/ ease the customs clearance incase the goods are being imported/ exported.
- (vii) Where is the policy of the business to use containers then it may have no alternative.

b) FACTORS THAT MAY LEAD TO INCREASE OF DEMAND OF COFFEE IN KENYA.

- (i) Increase in consumer income which may increase their purchasing power/ hence able to buy/ can afford.
- (ii) Fall in the price of coffee making it cheaper/ affordable/ attractive/ pocket friendly.
- (iii) Increase in price of substitutes making them less attractive / unaffordable.
- (iv) Favorable government policy/ rules/ regulation hence making coffee less expensive/ favorable/ attraction.
- (v) Favorable change in taste/ preference/ fashions making coffee desirable/ attractive.
- (vi) Increase in population which may lend to increase in number of potential/ actual customers.
- (vii) High season e.g. cold season where many people may prefer to use coffee to other beverages.

3.

a) WAYS THROUGH WHICH A PUBLIC LTD COMPANY MAY BE DISSOLVED

- (i) A resolution by the shareholders/ decision by shareholders during the AGM
- (ii) Change in the country's law that renders the activities of the company illegal/ unlawful.
- (iii) Acquisition/ absorption/ takeover hence redirection of its activities/ loss of identity/ change status.
- (iv) Realization of sustained/ continuous losses to an extent of not being able to meet its recurrent expenditure.
- (v) Court order granted to a complain raised by stakeholder/ for acting ultra-vires.
- (vi) Completion/ fulfillment of task/ activities/ objectives which it was formed/ hence making it continued existence unnecessary/ unreliable.

b) FACTORS THAT MAY INFLUENCE THE CHOICE OF A CHANNEL FOR DISTRIBUTING TOMATOES

- (i) Nature of the tomatoes are perishable and therefore need short/ direct channel/ safe guard them from damage.
- (ii) Cost should consider the cheapest channel/ affordable/ cost effective.
- (iii) Extent/ distance/ proximity of the market if consumers are widespread long channels may be necessary to reach them.
- (iv) Competition in the market since in stiff competition the producer would prefer to keep close contact with customer and therefore short/ direct channel.

- (v) Quantity/ output/ volume – If large then more middlemen are required/ where volume is small a short/ direct channel.
- (vi) Availability of middlemen/ agents/ intermediaries if no middlemen then a shorter channel is used if available use long channel.
- (vii) Availability of technical personnel if no technical personal is required then longer channel is appropriate and vice versa.

4.

a) REASONS FOR PREPARING A BUSINESS PLAN

- (i) Help in sourcing for finance/ capital/ loan/ credit as they are used to convince financial institutions to fund the firms operations.
- (ii) Tool for evaluation to determine whether the business is achieving its goals/ objectives/ make adjustments.
- (iii) For planning/ organizing/ directing / staffing /co-coordinating/ communicating/ controlling business activities.
- (iv) Enhance proper use of resources to avoid wastage/ to ensure to ensure they are used in the best way possible.
- (v) Motivational tool as it inspire managements/ employee/ creates team work in accomplishing the objectives of the firm.
- (vi) To guide/ framework/ road map assisting management in decision/ action on a day basis.
- (vii) Evidence/ proof of commitment that is forced to think clearly through the business idea before starting.
- (viii) Adaptability tool as it center room to cope with changing/ prevailing circumstances/ situations.
- (ix) A tool for testing business idea to determine whether it can succeed/ not succeed.

b) BUSINESS TRANSACTIONS

Capital	-	5000,000 – 10,000 = 490,000
Creditors	-	280,000
Motor van	-	300,000
Furniture	-	100,000 + 60,000 = 160,000
Stock	-	70,000 – 40,000 = 30,000
Debtors	-	170,000 + 10,000 = 180,000
Cash	-	140,000 – 40,000 + 30,000 = sh120,000
Furniture creditor = 20,000		

Rhoda trader balance sheet as at 31/12/2017

<u>Assets</u>		Capital	490,000✓
Motor van	300,000✓	<u>Liabilities</u>	
Furniture	160,000✓	Creditors	280,000✓
Stock	30,000✓	Furniture creditor	20,000✓
Debtors	180,000✓		
Cash	120,000✓		
<u>790,000</u>		<u>790,000</u>	

5.

a) ADVANTAGE OF PERSONAL SELLING

- (i) Enhance personal appeal between buyer and seller as sales persons are used.
- (ii) Can effectively counteract customers negative attitudes towards the product as they clarify doubts.

- (iii) Questions/ complaints from customers are channeled directing to employees of the organization who are knowledgeable in the product.
- (iv) Demonstration on the use of goods can easily be done by sales person.
- (v) Flexibility in presentation to capture customer needs.
- (vi) Provide immediate feedback from/ to the client which guides in future decision.
- (vii) Effective in conducting market research on consumer's attitude.

b) TRENDS IN OFFICE MANAGEMENT

- (i) Relocation where organization tend to move away from town centre/ to peri-urban/ outskirts.
- (ii) Use of modern equipment/ office automation/ computer/ mobile phone for efficiency.
- (iii) Landscape/ open office layout/ improved ambience/ improving supervision.
- (iv) Engagement of multi-skilled staff to carry different task/ save on labour cost.
- (v) Innovative way of motivating staff through meals at work/ transport/ medical.
- (vi) Capacity building to develop staff skills
- (vii) Time management/ use of biometric clocking system to control staff movement.
- (viii) Customer care services/ desk/ public relation to enhance customer satisfaction.
- (ix) HIV/AIDS awareness to sensitize employees/ avoid discrimination.
- (x) Stress management to promote good health/ coping at the work place.
- (xi) CCTV for maintaining security.
- (xii) Environment conservation to minimize degradation/ ensure sustainability.
- (xiii) Use of name tags/ badge for easy identification
- (xiv) Corporate social responsibility to give back to the community.
- (xv) Team building to enhance bonding/ encourage teamwork/ team spirit.

6.

a) FEATURES OF ECONOMIC RESOURCES

- (i) Scarcity/ limited in supply – found in small quantity as compared to many uses.
- (ii) Monetary value – have a price/ reward attached to them.
- (iii) Unevenly distributed – some people/ regions/ country have more than others.
- (iv) Combinability/ complement ability as they can be used in different proportion.
- (v) Usefulness/ have utility they satisfy human wants
- (vi) Transferability in terms of ownership/ possession.
- (vii) Multipurpose/ have alternative uses they can be put into different use.
- (viii) Renewability/ exhaustibility – some resources get depleted/ finished/ restored/ recycled/ regenerated.

6. B

Dagoretti Traders
Trial balance
As at 5/1/2017 ✓

Details	Dr. (sh)	Cr. (sh)
Cash	45,000 ✓	
Bank	60,000 ✓	
Capital		100,000 ✓
Purchases	10,000 ✓	
Sales		25,000 ✓
Drawings	10,000 ✓	
	125,000 ✓	125,000 ✓

$$\left(\frac{1}{2} \times 24\right) = 12.$$



Dr		Cash a/c	Cr	
2017			2017	
Jan 1 Capital	55,000	Jan 2 Purchases	10,000 ✓	
5 P		5 Bal c/d	45,000 ✓	
	<u>55,000</u>		<u>55,000</u>	

Dr		BANK a/c	Cr	
2017			2017	
Jan 1 Capital	✓ 45,000	Jan 5 Drawings	10,000 ✓	
3 Sales	✓ 25,000	5 Bal c/d	60,000 ✓	
	<u>70,000</u>		<u>70,000</u>	

Dr		Capital a/c	Cr	
2017			2017	
Jan 5 Bal c/d	✓ 100,000	Jan 1 Cash	55,000 ✓	
	<u>100,000</u>	1 Bank	45,000 ✓	
			<u>100,000</u>	

Dr		Purchases a/c	Cr	
2017			2017	
Jan 2 Cash	✓ 10,000	Jan 5 Bal c/d	10,000 ✓	
	<u>10,000</u>		<u>10,000</u>	

Dr		Sales a/c	Cr	
2017			2017	
Jan 5 Bal c/d	✓ 25,000	Jan 3 Bank	25,000 ✓	
	<u>25,000</u>		<u>25,000</u>	

Dr		Drawings a/c	Cr	
2017			2017	
Jan 5 Bank	✓ 10,000	Jan 5 Bal c/d	10,000 ✓	
	<u>10,000</u>		<u>10,000</u>	