**TOP EXAMINATIONS – 2016**

**FORM 3**

**565/1**

**BUSINESS STUDIES**

**JULY/AUGUST**

MARKING SCHEME

1. State **four** circumstances when economic environment can be an opportunity to the business.

(4 marks)

* + *The prices of commodities are low*
  + *If the consumers incomes are high*
  + *If the taxes levied on goods are low as it will make prices of commodities to fall*
  + *If banks charge low interest rates on loans, it encourages people to borrow loans and buy more goods*
  + *If there is low levels of inflation*

1. State **four** characteristics of labour as a factor of production. (4 marks)

* *It is a basic factor of production;*
* *It cannot be separated from the labourer;*
* *It is human in nature, with capacity to think and limitations of moods;*
* *It cannot be stored;*
* *It is mobile both in terms of geographical and occupational mobility;*
* *The labourers sell their labour, not themselves.*

1. Give **four** features of supermarkets as retailer. (4 marks)

* *Requires large capital to start*
* *They stock a wide variety of goods*
* *Offers self service facilities*
* *Goods have price tags or bar codes*
* *Prices of goods are fixed*
* *No credit facilities are offered*
* *Sell at comparatively low prices*
* *Goods are systematically arranged for easy selection*
* *Shoppers are provided with baskets or trolleys for convenience*
* *There is minimal interaction between buyer and seller*
* *There are employees who pack goods for customers at the pay points.*

1. Identify **four** contents of a catalogue as a document of home trade. (4 marks)

* *Name and address of the seller*
* *Details of the products to be sold; inform of pictures and illustrations*
* *The prices of the products*
* *After-sales services offered by the seller*
* *Packaging and posting expenses to be incurred*
* *Delivery services to be used*
* *Terms of sale*

1. Give **four** cirrcumstances under which Cash on Delivery and Cash with Order are appropriate.

(4 marks)

* *When the buyer is new to the seller*
* *Where the buyer’s credit worthiness is in doubt*
* *Where the seller is operating mail order stores(C.W.O only)*
* *Where C.W.O or C.O.D is the policy of the business*
* *If the cost of collecting debts is considered high by the seller*
* *When a seller is to make goods based on unique specification provided by a particular buyer(C.W.O only)*
* *Where the seller wants to avoid tying up business capital in debts*

1. Give **four** advantages of landscape office layout. (4 marks)

* *Promotes teamwork among workers;*
* *Promotes sharing of office equipment hence less equipments are required;*
* *Easy supervision of the workers;*
* *Low maintenance cost;*
* *Easy location of workers;*
* *Discourages absenteeism;*
* *Decorations provides conducive and attractive working environment.*

1. Give **four** contents of a good business plan. (4 marks)

* *Name of the business*
* *The product to be sold or produced*
* *Personnel to manage the business*
* *Amount of finance and other resources required*
* *The market to be served (customers)*
* *Types of employees required*
* *Projection (level of achievement in future in terms of profit)*
* *Summary of the plan.*

1. Mention the forms that downward communication can take. (4 marks)

* *Training juniors*
* *Evaluating performance*
* *Delegating duties*
* *Solving the problems facing workers*
* *Inspiring and motivating the juniors(giving rewards)*

1. Mention **four** benefits derived from face-to-face communication in an organization. (4 marks)

* *Provides for immediate feedback*
* *Has personal appeal*
* *Body language can be easily expressed*
* *One can persuade or convince another*
* *It is the simplest communication to use*
* *It is direct i.e. does not pass through intermediaries*
* *Convenient for confidential messages.*

1. For what reasons do the government issue licenses to business people? (4 marks)

* *Regulating the number of businesses in a given place at any given time to avoid unhealthy competition.*
* *To control the type of goods entering and leaving the country.*
* *To ensure there are no illegal businesses.*
* *To ensure that traders engage only in trade activities that they have been licensed for.*
* *To ensure that those who engage in professional activities meet the requirements of the profession.*
* *To raise revenue for the government.*

1. Highlight **four** duties of commercial attaches in promotion of external trade. (4 marks)
   * *Explore and identify new markets for more export opportunities.*
   * *Research and analyze markets for exports from their home countries.*
   * *Keep statistics of products such as volumes, packaging size and method of manufacturing.*
   * *Attend meetings, seminars and workshops on trade patterns of the countries and keep data for new markets of exports.*
   * *Publish and advertise their country’s exports in business journals and magazines.*
   * *Select buyers, agents and distributors of the home country’s exports.*
   * *Inform traders in their home countries of the standards required for exports.*
   * *Assist sales missions from their home countries by organizing educational tours for them.*
   * *Organize visits to trade fairs and exhibitions for business people from their home country.*
   * *Make detailed reports on commercial activities that may help improve the exports of their countries.*
2. List **four** costs a middleman is likely to incur while distributing goods. (4 marks)

* *Buying costs*
* *Storage costs*
* *Advertising and marketing costs*
* *Operation costs*
* *Transport costs*
* *Insurance costs*
* *Preparation costs*

1. Mention **four** factors influencing the choice of a distribution channel in business. (4 marks)

* *Nature of product*
* *Nature of the market*
* *Role of intermediary*
* *Channels used by competitors*
* *Government policy*
* *Marketing risks*
* *Resources and size of the firm*

1. Mention **four** uses of national income statistics in a country. (4 marks)

* *Indicators of standards of living.*
* *Measuring economic growth.*
* *Inter country comparison.*
* *Investment decisions.*
* *Basis of equitable distribution of income.*
* *Planning purposes.*

1. Give **four** problems associated with expenditure approach to measuring national income. (4 marks)

* *Lack of accurate records particularly in the private sector.*
* *Approximation of expenditure of the subsistence sector.*
* *Difficulty in differentiating between final expenditure and intermediate expenditure*
* *Double counting may exist*
* *Fluctuating exchange rates may cause problems in the valuation of imports and exports.*

1. Outline **FOUR** 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.*

1. Outline **four** demerits of motorcycle as mode of transport (4 marks)

* *Cannot carry a lot of cargo.*
* *Tend to increase congestion on the road.*
* *Not suitable for long distance journey.*
* *Contribute heavily to air pollution/noise pollution.*
* *They use fuel which is expensive to buy.*
* *They are prone to accidents and can lead to serious injuries.*

1. State **four** factors that may have caused the change shown in the diagram below. (4 marks)

Price

Quantity supplied

* *Use of traditional techniques in production process*
* *Unfavourable weather conditions*
* *Inadequate supply of factors of production*
* *Unfavourable change in government policy*
* *High cost of production*
* *Expected increase in the price of the product in future*

1. Highlight four factors a firm must take into account when deciding on the product(s) to produce.

(4 marks)

* *Profitability of the venture*
* *Level of competition*
* *Availability of resources*
* *Government policy*
* *Extent of demand / market*
* *Cost of production*

1. Give **four** reasons why bonded warehouses are located at entry poimts. (4 marks)

* *For easy re-exporting.*
* *For easy inspection of imports.*
* *To prevent the entry of armful goods / dangerous goods.*
* *To prevent exit without legal authority.*
* *For easy collection of custom duties.*

1. State four circumstances where a firm would be located near a source of raw materials. (4 marks)

* *Where raw materials are perishable*
* *Where raw materials are bulky*
* *Where raw materials are fragile*
* *Where it want to control the source of raw materials*
* *Where it want to be assured of continuous supply*

1. Identify **four** current trends in sales promotion. (4 marks)

* *Use of internet*
* *Use of promotion convoy*
* *Use of celebrities*
* *Use of SMS*
* *Increased use of personal selling*

1. Identify any **four** goals of Economic Development. (4 marks)

* *Reduction of poverty*
* *Attain high and sustainable economic growth*
* *Reduce unemployment*
* *Attain equitable distribution of incomes*
* *Ensure food security in the country*
* *Provide security and maintain political stability*
* *Provide adequate health facilities*
* *Alleviate illiteracy*
* *Diversification of the economy to reduce over- reliance on few products*
* *Environmental conservation*

1. State **four** causes of unemployment in Kenya. (4 marks)

* *High population growth rate.*
* *Low demand for goods and services which leads to closure of industries.*
* *Minimum wage laws: People cannot be employed at rates below the set minimum as it would be illegal.*
* *Shortage of capital which hinder the establishment and expansion of industries/ lack of factors of production.*
* *Inappropriate education system: The education system does not instill the right skills that can be applied immediately after leaving school.*
* *Choice of production methods: Choice of capital intensive methods where labour is abundant.*
* *Seasonality in production/poor climatic conditions.*
* *Job selection due to poor wages.*
* *Poor government policy on job creation.*
* *Inappropriate land tenure.*

1. Give four reasons why a sole proprietor business may remain small size. (4 marks)

* *To meet needs of few customers*
* *Little capital for expansion*
* *No collateral to borrow funds for expansion*
* *Decision by owner to remain small*
* *Limited technology/ limited specialization*
* *Fear of risks associated with large business*
* *Need for personal attention to customers*