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END TERM EXAMS 2015

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**MARKING SCHEME- FORM 3**

**FORM 3 BUSINESS STUDIES**

 **END OF YEAR EXAM -2015.**

 ***Time: 2Hours***

*Section A*

1. State four means of written communication (4mks).

i) Letters

ii) Telex

iii) Memorandum

iv) Facsimile

v) Circular

vi) Agenda

vii) Minutes

2. State four benefits that a warehouse will experience as a result of systematic arrangement of goods (4mks)

i) Easy stock taking

ii) Space is saved

iii) Breakages of goods is reduced

iv) Pilferage of goods is reduced

v) Prevents contamination of goods

3. Differentiate between distribution and transport. (4mks)

 *Distribution is movement of goods and services from producer to consumer, while transport is physical movement of goods and people from one place to another.*

4. Highlight four ways of improving internal business environment. (4mks)

i) Better payment of workers

ii) Provision of better tools and equipment

iii) Training of workers

iv) Good management of business

v) Laying down good business objectives

*5.* List down four challenges faced in satisfaction of human wants (4mks)

i) Resources required are not enough

ii) Human wants are endless

iii) Human wants are recurring

iv) Some wants are complimentary

*6.* Highlight four characteristics of an insurance contract.(4mks)

i) Must have payment and a consideration

ii) Both parties must have legal capacity to contract.

iii) The terms and conditions must be accepted by all the parties.

iv) It must be for legal purpose

7. State five government policies that may encourage the location of firms in a certain area.(4mks)

i) Offering subsidies

ii) Reduction of taxes

iii) Offering free/cheap land for establishment of firms

iv) Ensuring security in an area

*v) Improvement of infrastructure*

*vi) Offering loans at low interest rates*

*8.* Differentiate between internal economies of scale and external economies.(4mks)

*Internal economies of scale refers to the benefits that occur to a single firm as a result of its expansion regardless of what happens to other firms in the industry, while external economies of scale refers to benefits that accrue to a firm as a result of growth of the whole industry.*

*9.* State four features of a market (4mks)

i) Existence of sellers

ii) Existence of buyers

iii) Presence of medium of exchange

iv) Availability of a good or a service

10. A car is worth Ksh 800,000 and is insured against accident for Ksh 600,000. The car is involved in accident and the damage is valued to be Ksh 400,000.Calculate the amount of compensation to be made. (4mks)

Compensation = Value of the policy × The loss

 The value of the property

 =600,000×400,000

 800,000

= Ksh 300,000

11. State four methods of determining the price of a good or a service in a market.(4mks)

*i) Auctioneering*

*ii) Tendering*

*iii) Haggling/ Bargaining*

*iv)Tendering*

*v) Price control*

12. Highlight five challenges that a country will face as a result of overpopulation.(4mks)

*i) Rural urban migration*

*ii) Low standard of living*

*iii) High dependency ratio*

*iv) Increased crime rate*

*v) Environmental degradation*

13. J.T traders have a shop with the following assets and liabilities.

Motor vehicle…………400,000

Cash at hand………………30,000

Creditors…………………..50,000

Stock……………………....100,000

Loan from KCB…………….80, 000

*Required*; Calculate the capital. (4mks)

*Capital = Total Assets-Total Liabilities*

*Total assets= 400,000+30,000+100,000=530,000*

*Total liabilities= 50,000+80,000=130,000*

*Capital=530,000-130,000= KSh 400,000*

*Section B*

14. Explain four advantages of containerization (8mks)

i) Reduces the incidence of pilferage and damage of goods since the handling is minimal

ii ) Special containers may be made to facilitate carriage of special goods

iii) Insurance premiums are low because of enhanced security of goods

iv) Loading and offloading is highly mechanized hence saving on time

15. Ali had the following assets and liabilities as at 1.12.2011

Cash at Bank 50,000

Debtors 30,000

Creditors 50,000

Stock 20,000

Furniture 35,000

 Additional information;

 July 2: Purchased stock worth Sh.16,000 on credit.

 6: Sold some furniture for Sh.4,000 by cheque.

 9: Received Sh.11,000 cash from debtors.

 13: Sold stock Sh.10,000 paid by cheque.

*Required:* Prepare the relevant ledger accounts. (10 marks)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | ***Bank A/C*** |  |  |  |
| *1**6**13* | *B/d**Furniture* *Sales*  | *50,000 🗸* *4,000 🗸**10,000 🗸* | *13* | *C/d*  | *64,000* |
|  |  | *64,000* |  |  | *64,000* |

***Debtor’s a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *1* | *B/d* | *30,000 🗸* | *9**13* | *Cash* *C/d* | *11,000 🗸**19,000 🗸* |
|  |  | *30,000* |  |  | *30,000* |

***Creditor’s a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *13* | *B/d* | *66,000 🗸* | *1**2* | *B/d* *Purchases* | *50,000 🗸**16,000 🗸* |
|  |  | *66,000* |  |  | *66,000* |

***Purchases a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *1**2* | *B/d**Creditors*  | *20,000 🗸**16,000 🗸* | *6* | *Bal c/d*  | *36,000 🗸* |
|  |  | *36,000* |  |  | *36,000* |

***Furniture a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *1* | *B/d* | *35,000 🗸* | *6**13* | *Bank* *C/d*  |  *4,000 🗸**31,000 🗸* |
|  |  | *35,000* |  |  | *35,000* |

***Sales a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *13* | *C/d* | *10,000 🗸* | *13* | *Bank*  | *10,000 🗸* |
|  |  | *10,000* |  |  | *10,000* |

***Cash a/c***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| *9* | *Debtor*  | *11,000 🗸* | *13* | *C/d*  | *11,000 🗸* |
|  |  | *11,000* |  |  | *11,000* |

 *20ticks×1/2 =10mks*

16. With the aid of a diagram, explain how the excess supply and excess demand are created. (10mks)

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*Explanation.*

*(i) Any price above Po would lead to excess supply*

*(ii) Any price below P2 would lead to excess demand 20 ticks x 1/2 = 10 mks*

17. Discuss five emerging issues in office practice (10mks) .

i) Increased use of computers in the office, which has increased efficiency as computers are fast and accurate

ii)Most offices are being located in the outskirts of towns in order to reduce the cost of land and traffic jams

iii) Increased use of mobile phones which enables employees to communicate well even when they are out of their offices

iv) Most of the offices have adopted open and landscape office layout to enhance teamwork and increase customer satisfaction

v) Development of public relations departments to enhance customer contact and increase customer awareness on the existence and use of firms product

18. Outline five circumstances under which a manufacturer will sell his product directly to consumer. (10mks)

i) If the product is perishable and therefore should reach the consumer faster before it goes bad.

ii) If the competitors are selling directly to the consumer and the manufacturers wants to have direct competition with them

iii) If the government policy requires the manufacturer to sell directly to consumers then he does not have an alternative.

iv) If the market is small hence the manufacturer is able to reach all the consumers

v) If the manufacturer wants to avoid overpricing of goods by middlemen.

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