

END TERM TWO EXAMINATIONS

565/1- Business Studies - Form - 3

Time – 2 ½ Hours

MARKING SCHEME

1.
 - Legal and political environment
 - Demography
 - Economic environment
 - Technological environment
 - Competitive environment
 - Physical environment
2. **Benefits of producer co-operatives to a farmer.**
 - Receive loans on easy terms.
 - Receives farm inputs on credit.
 - Educate members on better farming methods.
 - Provide transport for goods to the market.
 - Provide storage for members.
 - Look/search for markets.
3. **Ways that can be used to stop a firm from releasing toxic wastes.**
 - Educating the firm on proper waste disposal methods.
 - Taking legal action against such a firm.
 - Use of protective gear.
 - Encouraging Afforestation to reduce carbon dioxide in the atmosphere.
4. **Why a person would send message by mail rather than by telephone.**
 - Where evidence is required.
 - Where future reference is needed.
 - Where message is confidential in nature.
 - Where more people should be reached.
 - Where there is need to avoid distortion.
 - Where the message is not urgent.
5.
 - Good transport network
 - Favourable government policies.
 - Availability of resources.
 - Availability of market.
 - Favourable culture.
 - Fair competition
 - Political stability
 - Favourable natural factor
 - Good infrastructure
6. **Methods of determining prices onto the market.**
 - (i) Bargaining/negotiation/haggling

- (ii) Auctioneering/bidding
- (iii) Tendering/welcoming tenders from various suppliers of cows.
- (iv) Through Government intervention where he considers taxation, subsidy provision, legislation on sale of cows, bans or price controls

7. **Problems encountered in satisfaction of Human wants**

- (i) Poor choice during selection of wants especially between basic and secondary wants.
- (ii) Scarcity of economic resources/ the limited nature of resources.
- (iii) Competitiveness of wants as they yearn for satisfaction.
- (iv) The instability in wants makes the satisfaction difficult hence are endless in nature.
- (v) The varying age, time, urgency and intensity of wants affects the satisfaction process.
- (vi) Some wants are complementary in nature and must be used together e.g. vehicles must be bought as well as fuel.
- (vii) when frequently used, they form habits that can never be barred/done away with.
- (viii) Wants recur in use meaning human – beings must continue searching them otherwise they do not bring out full satisfaction.

8. **Factors leading to the curve above**

- (a) Unfavorable government policies i.e. high taxes.
- (b) Decrease/favourable demographic structure i.e. Decreases in number of people and poor structure.
- (c) Reduced income rate per household.
- (d) Negative tastes and preferences towards products.
- (e) Future expectation of a fall of price.
- (f) Decrease in prices of substitutes.
- (g) Unfavourable terms of sale used by traders.
- (h) Unfavourable seasonal changes.

9. **Reasons why endowment policy is better than whole – life policy.**

- (i) Payment of premiums is scheduled within a specific period than in whole – life where premiums are paid throughout
- (ii) The assured /He would personally gain /benefit at the expiry of the contract that in life assurance where the dependants/beneficiaries gain
- (iii) He will receive compensation at the expiry of the contract unlike in whole life where compensation is paid to the beneficiaries after his death.
- (iv) Both the Assured (Himself) and his dependants can obtain financial security that in whole life where it should be for the dependants alone.

(4 x 1 = 4 mks)

10. **Circumstances which air transport is suitable over other means of transport.**

- (i) In case the nature of goods is based on perishability in some products i.e. flowers, fruits and Vegetables.
- (ii) In case goods/services are required most urgently or very fast.
- (iii) If high security is necessary for goods being transported.
- (iv) Where countries do not access other means of transport like water transport hence airlines are relied on.
- (v) In case its foreign trade and countries want to save on time of transporting products.
- (vi) Where goods are delicate in nature i.e. glassware and some drugs/e.g. wine

(4 x 1 = 4 mks)

11. **Ways of improving the productivity of labour in an organization/a firm. (4 mks)**

- (i) Through initiation of division of labour according to qualification, experience, skills and knowledge.
- (ii) By training workers frequently to increase and maintain highest efficiency.
- (iii) Through offering leaves/holidays to workers for enough rest.
- (iv) By encouraging teamwork/inco-operation of various departments.
- (v) By providing machinery, tools and proper equipment to ease work amongst employees.
- (vi) Through frequent serving of the mechanization used in order to reduce laxity and delay for workers
- (vii) Meeting employees rewards /numerations on time as per contract.
- (viii) Recruitment of qualified personnel at time as per the contract.
- (ix) Through proper and close supervision of employees in a firm /an organization.

12. **Benefits of establishing an electronic filing system in an organization.**

- (i) Neat work is enhanced in an organization.
- (ii) Work is quickly done/done faster.
- (iii) Enhances an easy working environment.
- (iv) Provides a record for reference when in need.
- (v) It enhances a systematic arrangement of documents and information hence can be retrieved easily
- (vi) Its cheaper, hence economical for an organization.
- (vii) Enhances safety to documents kept/stores hence safeguards them from theft and untidiness.

13. **Four circumstances that necessitates use of shorter channels of distribution over longer channels in rural Kenya.**

- (i) The number of intermediaries are few in rural areas than in urban areas where they may be many.
- (ii) The concentration of consumers in rural areas is higher than in urban areas.
- (iii) Goods may be highly perishable.
- (iv) Products may be fragile hence necessitating use of shorter channels.
- (v) It lowers the cost of distribution unlike longer channels.
- (vi) The bulkiness of some commodities enhances the use of shorter channels than longer channels.
- (vii) Legal constraints may bar use of longer channels hence shorter channels are used.

14. **Problems associated with use of output approach in measuring national income.**

- (i) Insufficient/inadequate statistical data esp. in private sectors.
- (ii) Fluctuating prices of goods.
- (iii) Improper valuation of goods in subsistence sector.
- (iv) The illegal business activities are not captures in the course of measuring national income e.g. drug trafficking and smuggling.
- (v) The problem of valuing government output since many of its services are not sold in the market.

15. (a) Peak/Boom in an economy
 (b) Recession in an economy
 (c) Economic Trough/slump/Depression
 (d) Economic Recovery/expansion

16. **Circumstances under which utility is created in a commodity. (4 mks)**

- (i) When goods change from places of manufacture towards the market/resources from extractive industries towards firms.
- (ii) In case intermediate goods are transformed from initial state to finished state/where they change value-from raw - ripen status.
- (ii) If they are stored in respective stores/warehouses awaiting to be availed at the correct time.

17. **Circumstances under which cheque payment would be preferred more than cash payment.**

- i. Where lump sum/huge funds are involved.
- ii. Where security is attached to money involved in transaction.
- iii. In case evidence of payment is required by a business (written evidence)
- iv. Where references are required in future for payment made.
- v. In case a statement of account is needed.
- vi. In case privacy of carrying money is needed by organization/business.
- vii. In case it's the policy of the business to be making payments using cheques.

18. **Four common documents in Home trade at the delivery stage.**

- (i) Delivery note.
- (ii) Consignment note.
- (iii) Packing sheet/packing note.
- (iv) Advice note.

19. (a) Fill the table below. (5 marks)

| Fixed Assets | Current Assets | Long Term Liabilities | Current Liabilities | Capital |
|----------------|----------------|-----------------------|---------------------|----------------|
| 42,360 | 12,230 | <u>6,810</u> | 2,780 | 45,000 |
| <u>346,195</u> | 234,510 | 67,455 | 56,470 | 456,780 |
| 123,670 | 234,170 | 34,700 | 56,600 | <u>266,540</u> |
| 365,700 | <u>424,850</u> | 155,800 | 176,800 | 457,950 |
| 978,340 | 978,500 | 543,000 | <u>163,840</u> | 1,250,000 |

b) (i)

Kazuri Enterprises
Balance Sheet
As at 31st December 2021

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---------------------|--|-----------|------------|-----------|------------|----------|------------|--|--------------|-----------------------|--|------|------------|-------|------------|--------|------------|--|--------------|--|---------------------|--|---------|--------------|------------------------------|--|------------------|------------|----------------------------|--|----------------|-----------|-----------|------------|--|---------------------|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;"><u>Fixed Assets</u></td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">243,250.00</td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">125,345.00</td> </tr> <tr> <td>Building</td> <td style="text-align: right; border-bottom: 1px solid black;">845,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">1,213,595.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Current Assets</u></td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">148,650.00</td> </tr> <tr> <td>Stock</td> <td style="text-align: right;">745,400.00</td> </tr> <tr> <td>Debtor</td> <td style="text-align: right; border-bottom: 1px solid black;">135,400.00</td> </tr> <tr> <td></td> <td style="text-align: right;">1,029,450.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">2,243,045.00</td> </tr> </table> | <u>Fixed Assets</u> | | Machinery | 243,250.00 | Furniture | 125,345.00 | Building | 845,000.00 | | 1,213,595.00 | <u>Current Assets</u> | | Cash | 148,650.00 | Stock | 745,400.00 | Debtor | 135,400.00 | | 1,029,450.00 | | 2,243,045.00 | <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Capital</td> <td style="text-align: right;">1,012,795.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Long Term Liabilities</u></td> </tr> <tr> <td>4 year Bank Loan</td> <td style="text-align: right;">650,000.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Current Liabilities</u></td> </tr> <tr> <td>Bank Overdraft</td> <td style="text-align: right;">85,250.00</td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">495,000.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">2,243,045.00</td> </tr> </table> | Capital | 1,012,795.00 | <u>Long Term Liabilities</u> | | 4 year Bank Loan | 650,000.00 | <u>Current Liabilities</u> | | Bank Overdraft | 85,250.00 | Creditors | 495,000.00 | | 2,243,045.00 |
| <u>Fixed Assets</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Machinery | 243,250.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Furniture | 125,345.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building | 845,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1,213,595.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Current Assets</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | 148,650.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stock | 745,400.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debtor | 135,400.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1,029,450.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2,243,045.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital | 1,012,795.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Long Term Liabilities</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 year Bank Loan | 650,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Current Liabilities</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank Overdraft | 85,250.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Creditors | 495,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2,243,045.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

(ii)

Kazuri Enterprises
Balance Sheet
As at 31st January 2022

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---------------------|--|-----------|------------|-----------|------------|----------|------------|--|--------------|-----------------------|--|------|-----------|-------|------------|--------|-----------|------|------------|--|------------|--|---------------------|--|---------|--------------|------------|------------|--|--------------|-----------|----------|--|--------------|------------------------------|--|------------------|------------|----------------------------|--|-----------|------------|--|---------------------|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;"><u>Fixed Assets</u></td> </tr> <tr> <td>Machinery</td> <td style="text-align: right;">200,000.00</td> </tr> <tr> <td>Furniture</td> <td style="text-align: right;">125,345.00</td> </tr> <tr> <td>Building</td> <td style="text-align: right; border-bottom: 1px solid black;">845,000.00</td> </tr> <tr> <td></td> <td style="text-align: right;">1,170,345.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Current Assets</u></td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">38,650.00</td> </tr> <tr> <td>Stock</td> <td style="text-align: right;">625,400.00</td> </tr> <tr> <td>Debtor</td> <td style="text-align: right;">77,950.00</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">154,200.00</td> </tr> <tr> <td></td> <td style="text-align: right;">896,200.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">2,066,545.00</td> </tr> </table> | <u>Fixed Assets</u> | | Machinery | 200,000.00 | Furniture | 125,345.00 | Building | 845,000.00 | | 1,170,345.00 | <u>Current Assets</u> | | Cash | 38,650.00 | Stock | 625,400.00 | Debtor | 77,950.00 | Bank | 154,200.00 | | 896,200.00 | | 2,066,545.00 | <table style="width: 100%; border-collapse: collapse;"> <tr> <td>Capital</td> <td style="text-align: right;">1,012,795.00</td> </tr> <tr> <td>Add Profit</td> <td style="text-align: right;">112,000.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">1,124,795.00</td> </tr> <tr> <td>Less Loss</td> <td style="text-align: right; border-bottom: 1px solid black;">3,250.00</td> </tr> <tr> <td></td> <td style="text-align: right;">1,121,545.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Long Term Liabilities</u></td> </tr> <tr> <td>4 year Bank Loan</td> <td style="text-align: right;">650,000.00</td> </tr> <tr> <td colspan="2" style="text-align: center;"><u>Current Liabilities</u></td> </tr> <tr> <td>Creditors</td> <td style="text-align: right;">295,000.00</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">2,066,545.00</td> </tr> </table> | Capital | 1,012,795.00 | Add Profit | 112,000.00 | | 1,124,795.00 | Less Loss | 3,250.00 | | 1,121,545.00 | <u>Long Term Liabilities</u> | | 4 year Bank Loan | 650,000.00 | <u>Current Liabilities</u> | | Creditors | 295,000.00 | | 2,066,545.00 |
| <u>Fixed Assets</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Machinery | 200,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Furniture | 125,345.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building | 845,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1,170,345.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Current Assets</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cash | 38,650.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Stock | 625,400.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Debtor | 77,950.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bank | 154,200.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 896,200.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2,066,545.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Capital | 1,012,795.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Add Profit | 112,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1,124,795.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Less Loss | 3,250.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 1,121,545.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Long Term Liabilities</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 year Bank Loan | 650,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Current Liabilities</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Creditors | 295,000.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2,066,545.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

20. (a) Channels for distributing fish from Lake Victoria.

- Fisherman (Producer) ▼ Consumer
- Producer ▼ Retailer ▼ Consumer
- Producer ▼ Wholesaler ▼ Consumer
- Producer ▼ Wholesaler ▼ Retailer ▼ Consumer
- Producer ▼ Marketing Agency ▼ Retailer ▼ Consumer
- Producer ▼ Marketing Agency ▼ Wholesaler ▼ Consumer

(b) Role of Nairobi Security market in the economy

- **Facilitates buying of shares-** it provides a conducive environment to investors who want to buy shares in different companies.
- **Facilitates selling of shares-** it creates a market for those who wish to sell their shares.
- **Safeguarding investors' interests-** it monitors the performance of the already quoted companies and those found not meeting expectations are struck off. Companies who want to be quoted must also attain a certain standard of performance.
- **Provides useful information-** it provides timely, accurate and reliable information to investors which enable them to make decisions on the investments to make. The information is passed on through mass media and stock brokers.
- **Assist companies to raise capital-** it assists companies to raise capital by creating an environment through which companies issue new shares to members of the public in an **IPO**.
- **Creation of employment-** it creates employment for those who facilitate the buying and selling of shares eg stock brokers, stock agents etc.
- **Raising revenue for the government-** the government earns revenue by collecting fees and other levies/ dues from activities carried out in the stock exchange market.
- **Availing a variety of securities-** it avails a variety of securities from which an investor can choose from. The market therefore satisfies the needs of various investors eg investors who wish to buy from different companies can do so in the market.
- **Fixing of prices-** the stock exchange market is in a position to determine the true market value of the securities through the forces of demand and supply. This is of great importance to both the buyer and the seller.
- **Measures a country's economic progress-** the performance of securities in the stock exchange market may be an indicator of a country's economic progress e.g a constant rise in prices and volumes of securities traded within a given period of time would indicate that the country's economy is positively growing.
- **Promotes the culture of saving-** it provides investors with opportunities to channel their excess funds. Such people act as role models to other members of the society who may emulate them thereby promoting a saving culture.

21. (a) Merits of localization of industries

- **Service industries/Ancillary services:** It encourages the establishment of support business enterprises e.g. if many firms are located in one region, institutions such as banks, insurance companies and distributors are likely to set up businesses in the area to offer services required
- **Creation of pool of labour:** When industries are concentrated in one area, people tend to migrate to that region in search of employment thus encouraging creation of a pool of labour force. This enables firms to meet their labour force requirements.
- **Creation of subsidiary industries:** Localised firms are likely to attract others which use the finished products of the established firms as raw materials or selling raw materials to the existing firms.
- **Disposal of waste:** Localised firms are able to easily dispose off their waste by either selling them to other firms for recycling or by jointly undertaking waste disposal projects.
- **Creation of employment:** It encourages creation of employment opportunities in the region (it creates interests in the type of labour required thereby leading to creation of employment opportunities.
- **Development of infrastructure:** Concentration of firms in one area encourages development of the necessary infrastructure such as water systems, roads, communication network, health and education facilities in the region
- **Economies of scale:** Firms can combine to employ benefits of large-scale production for the benefits of consumers.

- **Reduction in costs:** Firms that depend on each other for inputs or disposal of outputs are able to save on transport costs when they are located near each other.

b) Trends in Product promotion

- Use of the social media/facebook/
- Event sponsoring
- Use of website/internet to advertise product worldwide, which has increased the coverage
- Encouraging gender sensitivity and awareness in product promotion to bring about gender balance
- Use of electronic billboards in advertisement to increase their visibility even at night
- Intensifying personal selling by the business to reach more customers
- Use of road shows- Development of promotion convoys to move from one place to the other with music and dancers to attract more prospective customers
- Catering for the rights of the youths when carrying out product promotion and even involving them in carrying out the promotion
- Catering for the interest of those with special needs when carrying out advertisement
- Advertisement through mobile phones by sending them sms about the product

