

**BUSINESS STUDIES
FORM 3
MID TERM
TERM 1 2023
TIME: 1HR
MARKING SCHEME**

NAME ADM CLASS.....

Instructions:

Answer all the questions in the spaces provided

1. Give four features of economic resources. (4mks)
 - *They are scarce/limited in supply*
 - *The have monetary value*
 - *They have alternative uses/occupational mobility*
 - *They are unevenly distributed from one region to another.*
 - *They have utility/usefulness*
 - *They are transferable from one party to another/geographical mobility*
 - *They can be combined to produce goods/services.*

2. Indicate with a tick (√) in the appropriate column the business environment associated with each of the factors mentioned below. (4mks)

	FACTOR	INTERNAL	EXTERNAL
i.	Government policy		√
ii.	Technological environment		√
iii.	Financial resources	√	
iv.	Firm structure	√	

3. State four reasons why people engage in business activities. (4mks)
 - *Creation of employment (for self/other)*
 - *Provision of goods/services (to others)*
 - *For profit generation/maximization*
 - *For prestige/enhance own image in society*
 - *To acquire what they lack.*
4. Highlight four factors that may be used to determine the size of a firm. (4mks)
 - *Volume of output*
 - *Floor area covered/size of land occupied*
 - *Quantity of capital invested*
 - *Number of employees engaged*
 - *Production methods/techniques/technology*
 - *Market size served*
 - *Volume of sales.*

5. Indicate by writing the word 'TRUE' or 'FALSE' against the statement describing characteristic for goods and services. (3mks)

	STATEMENT	TRUE or FALSE
a.	Goods are inseparable from their producers	<i>False</i>
b.	Services can be standardized in form of size, appearance or quality	<i>False</i>
c.	Services are experienced not owned	<i>True</i>
d.	Goods are not always perishable	<i>True</i>
e.	Services are highly perishable	<i>True</i>
f.	Goods can change in value overtime	<i>True</i>

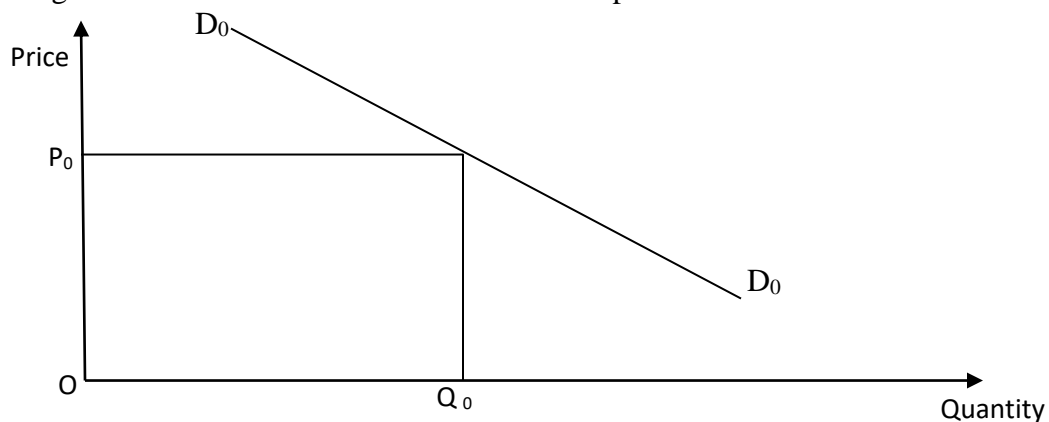
6. The following are types of advertising: product advertising, competitive advertising, informative advertising and institutional advertising. In the table below, match each type with its appropriate description. (4mks)

	TYPE OF ADVERTISING	DESCRIPTION
a)	<i>Institutional</i>	Promotes the name of the manufacturer
b)	<i>Competitive</i>	Persuades the consumers to buy a product
c)	<i>Information</i>	Creates awareness about a product
d)	<i>Product</i>	Promotes a particular brand of a product

7. Outline four barriers to written communication. (4mks)

- *Standard/level of language*
- *Poor handwriting/illegibility/inability to be read/not clear*
- *Unfamiliar terms/language/jargon/foreign language/technical/long*
- *Hostile tone/too persuasive to create misconception.*
- *Unfamiliar subject/topic*
- *Blindness/visual impairment.*

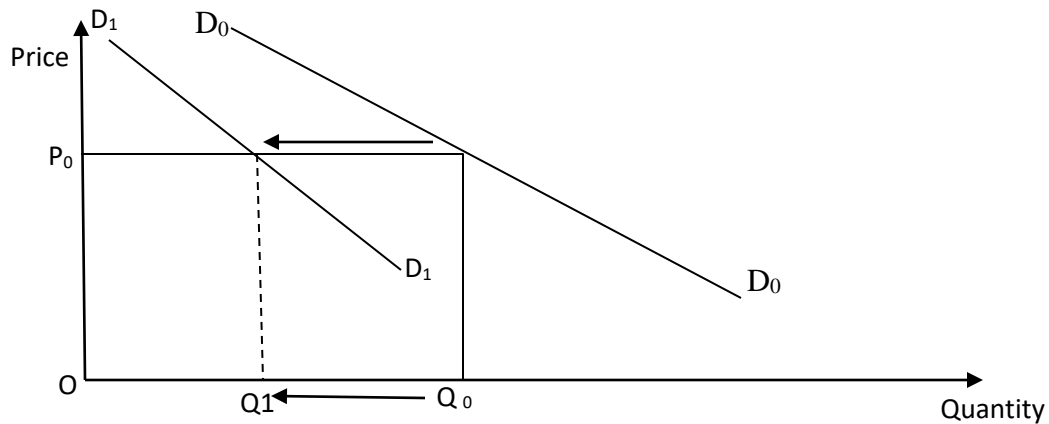
8. The diagram below shows the current demands for petrol.



- a) What is the effect of an increase in the price of cars on demand for petrol? (2mks)

- *Few/less cars would be demanded and this would decrease/reduce the demand for petrol at the same price.*

b) Draw a new demand curve on the diagram above to show the effect of an increase in prices of cars. (2mks)



9. State four benefits that consumers get from small scale retailers. (4mks)

- *Free advice on product use/comparison/availability etc*
- *Personal attention*
- *Stable prices*
- *Steady supply of goods*
- *Credit facilities*
- *Place utility i.e. goods are bought nearer*
- *Small quantities (break bulk)*

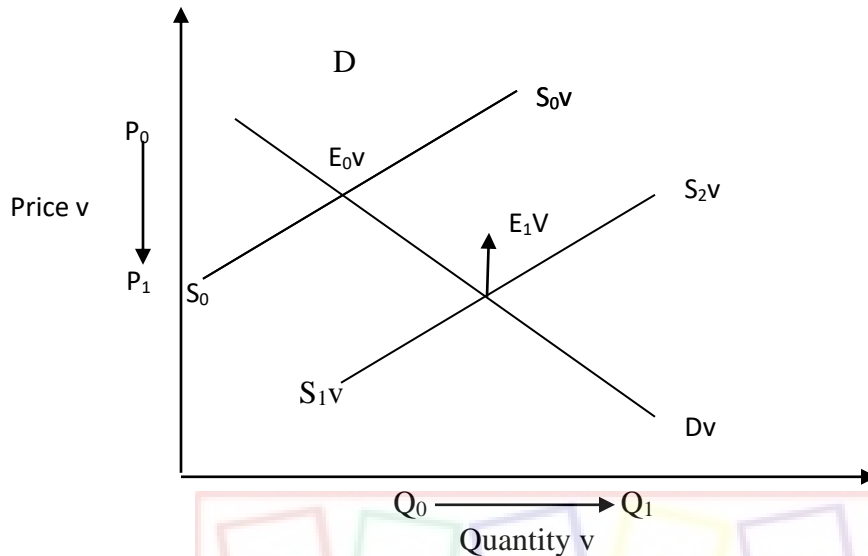
10. Outline four sources of a business idea. (4mks)

- *Newspapers/magazines*
- *Shows and exhibitions*
- *Hobbies*
- *Vocational training and experience*
- *Survey*
- *Market gaps/shortages*
- *Events/games/activities*

SECTION 2

ANSWER ANY ONE QUESTION.

11. Using a diagram, describe the effects of outward shift in supply curve on equilibrium price and quantity. (10mks)



- *An increase in equilibrium quantity from Q_0 to Q_1*
- *A decrease in equilibrium price from P_0 to P_1*

12. Outline five circumstances under which a firm will be located near the market for its products. (10mks)

- *When the products are perishable thus require fast delivery*
- *When the products are bulky/heavier than the raw materials*
- *When the products are fragile to avoid losses through breakage*
- *When it is cheaper to transport raw materials than the final product*
- *When the raw materials are in the same location as the market for the product*
- *When it is the government policy that firms locate near their markets.*
- *When the unit value of the products is high/ may pose security threat during transportation.*