**FORM THREE BUSINESS STUDIES**

**PAPER 2 MARKING SCHEME**

**END OF TERM THREE EXAMINATION 2021**

1. a) **Reasons for preparing a business plan.**

* It may be a requirement by financiers.
* It assists in allocating resources.
* Assist in determining the financial requirements.
* Acts as a tool of control
* Acts as a motivating factor to the workers in that each one knows what is expected of him
* Assists in identifying the strengths and weaknesses of the business
* Assists in adapting to possible changes that are likely to occur during the implementation period.
* Assists in avoiding mistakes in that such mistakes can be detected and rectified before implementation.

b) **Role of stock exchange market.**

* It facilitates buying and selling of shares in that it acts as a link between the sellers and the investing public.
* Acts as an indicator of the level of economic activities in a country by looking at the number of shares being transacted.
* Assists in safeguarding investor’s interest in that only those financially sound companies have their shares traded in the market.
* Creates a culture of saving in that those with surplus money can invest in shares.
* Provide useful information that assist in making investment decision in that people know where to invest.
* It creates employment for people in trading of shares
* Acts as a source of government revenue through taxes
* Assist companies to raise revenue
* Assist in determining the prices of shares.

1. a) **Problems encountered in measuring national income.**

* It’s not possible to estimate depreciation on capital goods.
* It’s not easy to determine the value of the subsistent output.
* There is the problem of change in value of money which may give exaggerated information
* There is the problem of double counting
* It’s not easy to estimate the value of free and subsidized services
* Inaccurate data due to use of wrong statistical methods.
* Inventory valuation on stock appreciation
* There is the problem of the output of foreign firms.

b) **Factors considered before giving credit.**

* Credit worthiness of the buyer
* Repayment period
* The amount of goods that the customer wants
* Availability of adequate stock
* Honesty on the trustworthiness of the customer
* Frequency at which the customer buys
* Seller’s intensions such as retaining customers.

1. a) **Reasons for using salesmanship.**

* When introducing new products in the market
* When the unit value of a product is high
* Where demonstration is required
* Where the feed-back of the customer is needed
* Where the market is concentrated In a small geographical area
* Where the firm has adequate resources to finance the sales force
* Suitability of a product to individual needs as opposed to those of the general public.

b) **Sources of business ideas**

* Using information from the media
* Using individual talents and strengths
* Spotting market gaps
* Brain storming where people come together and agree on certain idea
* Shows and exhibitions
* Identifying use of wastes product
* Listening to complaints from customers
* Market survey to find out what is on demand
* Hobbies or those activities that people do for pleasure like entertainment.

1. a) **Ways of creating an enabling and**

* carrying out market research and giving advise to entrepreneurs.
* providing infrastructure
* ensuring that there is maximum security
* reducing taxes
* increasing subsidies
* Providing basic services like education and medical care.
* Accessing businessman to sources of capital.

b)

**WITU**

**BALANCE SHEET**

**AS AT 30TH APRIL 2017**

**FA** capital 271, 300

Motor vehicles 273, 000

Furniture 8, 000 **LTL**

AD is loan 70, 000

**CA**

Stock 36, 400 **CL**

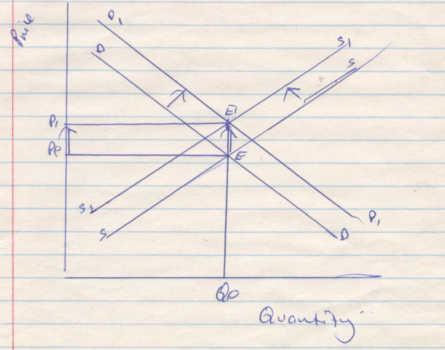
Debtors 27, 500 creditors 6, 700

Cash 20, 500 overdraft 36, 500

**386, 500 386, 500**

**1 mrk for each correct entry.**

1. a)

 diagram 8mrks

- Equilibrium price will increase. 1 mrk

- The equilibrium quantity remains constant.1mrk

b) **Steps followed in seeking compensation**

* Reporting to the insurance company in case a risk occurs..
* Filling claim firms.
* Investigation of the claim by the insurer
* Preparation of assessment report
* Payment of the claim.

1. a) **Factors that contribute to existence of small firms.**

* Limited access to sources of finance.
* Limited size of the market
* Limited access to modern technology
* One’s decision due to fear of taking risk
* Government policy where the government encourages the setting up of small scale businesses in order to create self-employment.
* Small firms are easy to manage.

b) **Reasons for amalgamation**

* Increasing bargaining power
* Avoiding unnecessary competition
* Mobilization of capital
* Controlling the market
* Avoiding wasteful use of resources
* Sharing of ideas
* Reducing the cost of operating
* Ensuring constant supply of raw materials through backward integration.