

BUSINESS FORM 3 MARKING SCHEME

1. Circumstances under which air transport is preferred

- ❖ If the distance involved is long such as cross continental
- ❖ If the goods to be moved are perishable
- ❖ When transporting urgently needed goods or services
- ❖ Where the goods being transported are fragile hence in need of minimal handling
- ❖ If the goods are of high value
- ❖ When it is the only means of transport available.

(4 × 1 = 4 mks)

2. Four costs incurred by intermediaries in the chain of distribution

- ❖ Cost of transportation
- ❖ Cost of warehousing
- ❖ Problem of bad debts
- ❖ Damage of stock in warehouses
- ❖ Cost of buying goods from the manufacturer
- ❖ Cost of loss of stock through theft

(any 4 × 1 = 4)

3. Factors that comprise negative internal environment of the business

- ❖ Non-committed owners
- ❖ Poor business structure
- ❖ Inadequate capita resource
- ❖ Outdated/Poor technology
- ❖ Poorly skilled/Inexperienced workers
- ❖ Unfavourable business culture

(4 × 1 = 4 mks)

4. Use of office equipment and their respective names

(4mks)

Functions of the Machine	Office Equipment
a) Used in posting information to ledgers and preparing payrolls	Accounting machine
b) To transmit printed messages such as photographs, letters, and maps	A facsimile (Fax machine)
c) Usually fire proof where important documents in an organization are stored	A safe or Vault
d) Used to carry out many functions such as storing information, typing and performing complex calculations	A computer

5. **Give four disadvantages of division of labour and specialisation.**
 - Workers suffer from boredom due to monotony of doing the same job repeatedly.
 - A problem at one stage may ground the entire process.
 - Workers identify themselves with the final product as each play a small part in its production.
 - Use of machines may lead to redundancy
 - Workers lose skills owing to over dependency on machines
 - It may lead to shortage of goods especially during emergencies due to interdependence.
6. **Highlight four response why one should have a good business plan.**
 - Identifies the product the business will be dealing in.
 - Identifies the consumers to be targeted by the business.
 - Identifies the resource required for the business to operate effectively.
 - Increase entrepreneur's awareness of the market condition e.g existence strength of the competition.
 - Given the entrepreneur the parameters within which to operate.
 - Enables the entrepreneur to evaluate the performance of the business.
7. **Outline four circumstances under which a profoma invoice may be used.**
 - Where the buyers credit worthiness is in doubt
 - Where the goods are sold through an agent.
 - Where the trader doesn't want to sell goods on credit.
 - Where a quotation was not send to the buyer.
 - Where the importers wants to clear with the customers officiate before the goods are delivered at dock.
 - To show the buyer what to pay in case the decides to buy the goods.
8. **Highlight four ways in which the government provide an enabling business environment.**
 - Enhancing security in the country
 - Ensuring there is political stability and goodwill.
 - Passing favourable policies of taxation
 - Creating market for manufacturer and traders products through marketing goods.
 - Providing loans to prospective business people.
 - Avoiding cheap land or free land for business location.
 - Developing infrastructure- roads, electricity etc.
9. **Eureka limited brought a building valued at Shs. 1,000,000 on 2nd Feburary 2013. The building was insured with two insurance companies lion and kangaroo for Shs. 600,000 and Sh. 400,000 respectively. In June 2013, fire damaged the building causing Eureka limited to suffer a lose of 20% of the building value. Determine the contribution made by lion and kangaroo.**

$$\text{The loss made} = \frac{20}{100} \times 1000000 = 200000/=$$

Contribution made by;

$$\text{a) Lion} = \frac{600000 \times 200000}{1000000} = \text{Shs. } 120000$$

$$\text{b) Kangaroo} = \frac{400000 \times 200000}{1000000} = \text{Shs. } 80000$$

10.

- i) Memorandum of Association
- ii) Articles of Association
- iii) List of directors
- iv) A statement signed by the directors accepting to act as directors
- v) Declaration that registration requirements as laid down by the law have been met.

11.

- i) Increase in population
- ii) Positive taste towards the product
- iii) Increase in incomes of the people
- iv) Increase in price of complementary goods
- v) Future expectation in the increase of the price

12.

- i) Perfect competition
- ii) Monopoly
- iii) Monopolistic competition
- iv) Oligopoly

13. Give four reasons why firms choose to remain small in an economy dominated by large firms.

- a) Size of the market
- b) Nature of the market
- c) Simplicity of the organization
- d) Flexibility of small firms
- e) Quick decision making
- f) Belief that a small firm is more manageable
- g) Rising cost of production
- h) Need to retain control
- i) Legal constraints

any 4 x 1 = 4 marks

14.

- Warehousing
- Banking
- Transport
- Communication
- Insurance
- Advertisement

15.

- Faster hence suitable for sending agent information
- There is immediate feedback
- Can send short messages (sms)
- Is portable
- Can be used to transfer funds
- Offer extra features e.g internet ,camera, calculator e.t.e

16. Challenges that may be experienced by a new entrepreneur.

- Inadequate capital / funds to sustain / expand.
- Inadequate skills / poor management.
- Unfriendly / poor government policies e.g. high taxes which are unfavourable to the growth / expansion of the business.
- Poor infrastructure / poor roads which may hinder access to markets or inputs.
- Inappropriate technology which may result in less quantity or poor quality products.
- Unfair competition.
- Inadequate manpower to run the business effectively.
- Poor pricing which might make the product to be too expensive to attract buyers or too cheap to sustain the business.
- Inadequate market. (5x2 = 10mks)

17. Distinction between sets of goods and services.

(i) Free and economic goods

Free goods are those that are available in abundance as gifts of nature and have no price attached while

economic goods are those that are scarce in supply and have money value.

(ii) Producer goods and consumer goods.

Producer goods are those produced to be used in producing others while consumer goods are goods that are readily usable by the final consumer.

(iii) Perishable and Durable goods.

Perishable goods are goods that go bad very easily unless stored using special facilities while durable goods

are those that will continue giving service for a long time without spillage.

(iv) Public goods and private goods

Public goods are those that belong to no one in particular but are owed by the government on all of us collectively while private goods are owned by individuals or groups of individuals in their private capacities.

(v) Intermediate goods and finished goods.

Intermediate goods are those that need to go through further processing before use while finished goods are final products that come out of production in the required form ready for use. (5x2 = 10mks)

18. Explain Five circumstances under which a public limited company would be dissolved.

- Failure to commence business within one year after registration

- Insolvency or bankrupts where the company cannot pay its debts
- Through a decision by the shareholders to voluntarily wind up
- When there is amalgamation
- When membership fall below the minimum that is required by law
- Deregistration by the registrar of companies due to failure to comply with the law
- Accomplishment of purchase or expiry of period of operation

19. Factors that may lead to decline in the demand for oranges in Nakuru town.

- i) High price of the oranges -This will discourage buyers
- ii) Decrease in level of consumers' income. This decrease the demand for the oranges
- iii) Low prices of other fruits
If the price of mangoes in the market is low, more mangoes will be bought than oranges. Oranges will rot in the market
- iv) Government policy
The government may withdraw incentives / subsidies to all the farmers who produce oranges such as subsidized herbicides and other inputs which are required to produce quality oranges. the withdrawals of inputs / herbicides leads to high prices of oranges.
- v) Decrease in the population of Nakuru/strikes or political instability
This may scare away people from visiting the market from up country. Sellers sell to no one in particular.
- vi) Future expectations of more supply because of a good weather condition experienced in the country ,implying that more quantities are expected.
- vii) Poor distribution of income
There are many potential buyers who access little income in the town. These majorities have no leads to less purchase