BUSINESS STUDIES MARKING SCHEME

FORM 3 TERM TERM 2 2026

1. **Measures a business can take to ensure that its environment is conducive.**
    - Ensures the business operates in a clear and attractive environment
    - Ensuring that legal requirements and conditions have been fulfilled irrelevant permits and licenses have been obtained
    - Ensuring the goods and services are fairly priced in relation to their quality
    - Ensuring the workers (employees)are fairly paid and treated humanely
    - Ensuring supplies to the business are paid promptly for their services
    - Ensuring that all government taxes are paid promptly
2. **Characteristic of economic resources.**
    - Are scarce
    - Have monetary value
    - Unevenly distributed
    - Have utility
    - Have alternative uses
    - Can be combined to produce other goods and services
    - Transferable from one place to another
3. **Characteristics of land that distinguish it from labour.**
    - Not geographically mobile
    - Is provided by nature
    - Is subjected to law of diminishing returns
    - Productivity can be improved by increasing quantity and quality
4. **Features of an efficient retail outlet.**
    - Conveniently located to serve customers
    - Provided personal attention to customers
    - Provides controlled credit facilities
    - Quick decision making mechanism
    - Opening and closing hours designed to suit customers
    - Provision of a variety of stock to suit varied needs and tastes of customers

5. **Differences between a bill of exchange and a cheque.**

Bill of exchange	Cheque
Drawn by the creditor and addressed to a debtor	Drawn by a debtor and addressed to a creditor
Acknowledges existence of a debt	It settles a debt
It must be accepted by a debtor to be valid	Its validity does not depend on acceptance
Cannot be crossed on its face	Can be crossed on its face to enhance its security

6. **Factors to be considered when choosing an appropriate means of communication.**
    - Speed of which the message is transmitted
    - Cost of transmitting the message
    - Distance between the sender and the receivers
    - Confidentiality of the means
    - Availability of the means
    - Accuracy of the message on reaching the receiver
    - Reliability of the means to deliver the message to the intended receiver
    - Type of message to be transmitted

- Safety and security of the message

7. Ways in which development of transport has facilitated trade.

- Bridging the gap between the producer and the consumer
- Facilitating distribution of goods and services from point of production to the market
- Increasing the value of the goods through creation of place utility
- Facilitates the wide variety of goods and services to be available in the same
- Opens up new markets.
- Allows specialization since it allows people to access goods produced elsewhere.
- Saves time and avoids wastage
- Promotes mass production.

8. Benefits of a business plan to an entrepreneur.

- Facilitates acquisition of finances/ loans/ credit
- Provides guidance for opening new /expanding existing business
- Acts as management tool for business
- It is a tool for evaluating business performance
- It lays strategy to be used in marketing the product
- It enhances the credibility of the business
- To avoid mistake
- Proper allocation of resources

9. **Disadvantages of persuasive advertising to customers.**

- It pressures customers into buying what they may not need
- It has no educational value to consumers
- It promote impulse buying, resulting into misallocation of resources by customers
- It often involves false claims intended to persuade customers to buy the products
- It results in unnecessary high prices of products to customers

10. Significance of principles of insurance.

i. Utmost good faith-it places upon the insured party the duty and responsibility to disclose every material fact about the matter to be insured truth fully, whether it is asked for or not.

ii. Proximate cause-the insured is compensated only if the cause of loss is the one that is actually covered or insured against

11. Advantages of bonded warehouse to the importer.

- Importers can prepare goods for sale while in the warehouse.
- The owner can look for the market for the goods before paying the duty.
- Some goods lose weight while in the warehouse so the duty paid become lower if it is based on the weight.
- The burden of paying the duty passes to the buyer if the goods are sold while still in the bonded warehouse.
- Gives importers time to look for money to pay for customer's duty.
- Goods in the bonded warehouse are secure.
- Some goods improve in quality in the warehouse e.g. wine and tobacco.

12. Ways through which a partnership may be formed.

- A simple written agreement between the parties
- An oral agreement between the parties
- Action by the parties implying agreement to conduct business together/estoppels
- A signed legal agreement /partnership deed
- By provision of partnership act where there is no known agreement

13. Characteristics of monopolistic competitive market.

- Large number of buyers and sellers who act independently
- No barriers of entry and exit from the industry
- Offer similar but differentiated products
- No single firm has control over factors of production
- Firms set their own prices
- Buyers and sellers have wide knowledge of the market
- Firms incur huge selling /promotion costs

14. **Factors that would lead to shift of demand curve to the right**

- Increase in consumers incomes
- Fall in price of complements
- Increase in price substitutes
- Favourable government policies/laws/regulations
- Favourable / positive taste/preference/fashion
- Increase in population
- Expectation of increase in price of the commodity
- Aggressive marketing/ product promotion
- Anticipation of future shortage
- High seasons/ festivities

15. **Benefits that may be realised when two firm form a merger**.

- Increase in volume of output
- Increased control over supplies
- Increased influence on the market/ customers
- Reduced cost of operations as a result of economies of scale
- Access a larger capital
- Increased ability to control prices for the product
- Elimination of unhealthy competition
- Ability to employ more qualified personnel
- Increased quality of output
- Combined talents/skills which may result to better management

16. **Limitations of per capita income as a measure of standards of living.**

- It is an average hence a mere statistics
- Possibility of figures high where income may be unevenly distributed
- Inclusion of those who are not involved in generation of NI
- Affected by inflation /general increase in prices of commodities
- High taxes may erode real value of per capita income
- High per capita income may have been at the expense of leisure time /citizens health

17. **Negative effects of an ageing population to an economy**

- Deficiency of economically active labour
- Increase in welfare costs
- Need to import labour that affect foreign exchange reserves
- Dependency ratio increase
- Fall in demand for goods /services required by youth
- Less progressive/low savings/low investments

18. **Duties of the office clerk.**

- Handling mails
- Operating various office machines
- Filing and indexing
- Record keeping/simple bookkeeping/petty cash
- Help in store keeping
- Ordering/receiving/storing/issuing of stationery
- Reproduction of documents

19. **Clauses that must be specified in the memorandum association of a public limited company.**

- Name clause states the name of the company which must end with the word ''limited''/name must be unique to the company/ not be shared with any other registered
- Objects clause states the objectives of the co/it specifies what the co has power to do /function/activities/mandates/aims/goals

- The situation clause states the physical location of the co/ registered office/country of registration/headquarters
- Liability clause states the extent to which members are liable to debts of co /shareholders/members have limited liability
- Capital clause states the amount of capital that the co is authorised to raise/the capital structure/the composition/value of shares/total/min/maximum capital
- Association clause/subscription/declaration clause contains a declaration by the original member/who registered the co about their desire to form a co /their objectives/ the number of shares they own/their personal details

(5 x 2Marks)

20. **Factors that may influence the choice of a channel for distributing flowers**

- Nature of the flowers/product flowers are perishable and therefore need a short/direct channel (in order to be distributed quickly) safeguard them from damages they need a short/direct channel.
- Cost/profit maximization/cost of different channels of distribution should be considered an the cheapest channels used/affordable/cost effective channel is used
- Extent /coverage/distance/proximity of the market. If consumers are widespread/then agents/long channels may be necessary to reach them.
- Nature/taste/preferences of consumers/consumer may have specific preferences/consumer specification which might require the personal attention of the producer hence use of a shorter direct channel
- Competition/where the competition is high/stiff-the producer will have to be close to the consumers and will therefore use a short/direct channel
- Quantity /output/volume/scale of production-if the quantity of flowers to be sold is large, then more middlemen/intermediaries may be required /where volume is a small choose a short direct channel
- Availability of technical personnel/distribution resources-if the producer does not have the required technical personnel/ distribution resources then he may have to use a longer channel/middlemen/agents/if available short/direct channel is used. NB accept examples of distribution resources as a naming
- Availability of middlemen/agents/intermediates-if there are no middlemen then a shorter channel is used/if available use a long channel

21**. Methods of determining the price of a product other than price control**

- Bargaining/haggling-terms of exchange is negotiable/argued/debated between buyer and seller
- Demand and supply/price mechanism/interaction between/forces of demand and supply
- Auction –prices determined by the highest bidder
- Tendering –prices determined by the bidder who meet specific requirements
- Recommended retail price/producers price fixing where producers/manufacturer agree in prices of commodities
- Price collusion where different market player such as buyers/seller conspire to fix the price
- Taxation/subsidy which will influence the selling/buying price

- Private treaty-a sale of property at a price agreed on by the seller and buyer without an intervening agency.

(5x2=10 Marks)

22. **Advantages of government involvement in business.**

- Provision of essential services/ goods at fair/ reasonable prices/affordable
- Provision of large capital investment/undertake ventures that requires large sum which private sector may not be able to raise/ without which development will be minimal
- Protection of citizens from exploitation by businesses
- Stimulation of economic development by developing social amenities/ infrastructure/road/ injecting/funds into the economy/ through development projects
- Creation of employment to earn a living / improve the standards of living
- Income generation/ to generate government revenue through taxation/ licensing/ financing government expenditure/engaging in commercial activities
- Stabilisation of the economy through regulation/ market intervention
- Promote equity/fairness in the distribution/use of resources
- Control use of resources through conservation /legislative measure /ensure their sustainability
- Maintenance of law/ order which allows for smooth operations of country's affairs
- Promotion of best practices through encouraging adoption of ICT/ good governance/social programmes/inclusivity
- Promoting a country's identity/ image through cultural programmes/branding initiatives/ participation in international competition/fairs
- Reduce foreign dominance/ promote country's sovereignty by regulating participation/ encouraging local participation in the economy
- Promotion of entrepreneurial culture by encouraging business ownership/ training/ funding business
- Promote investment in the country by creating enabling environment.

(5x2 Marks)