

# **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.**

- 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.
- 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 as 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/manufacture 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)