**BUSINESS STUDIES FORM THREE**

**MARKING SCHEME**

**MID-TERM EXAM**

**TERM 1, 2024**

**INSTRUCTIONS: (ANSWER ALL QUESTIONS) TIME: (1HR 30MIN)**

1. Outline four differences between perfect competition and monopoly. 4mks

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| --- | --- |
| PERFECT COMPETITION | MONOPOLY |
| Many sellers | Only one seller |
| Products are identical | Products have no close substitute |
| No transport costs | May incur transport costs |
| No govern interference | Thers is government intervention |

1. Outline four characteristics of a market. 4mks

***Presence of buyers***

***Presence of sellers***

***Products to be sold***

***Medium of exchange***

1. Outline four factors that determines the size of the firm.4mks

***Number of employees***

***Size of the market***

***Volume of output***

***Capital invested.***

1. Apart from price mechanism give other four methods of determining price. 4mks

***Haggling***

***Auctioning***

***Tendering***

***Government intervention***

1. Give four reasons for existence of small firms. 4mks

***Small volume of output***

***Need to retain control***

***Quick decision making***

***Flexibility of small firms***

1. State four characteristics of monopolistic market structure. 4mk

***Many buyers and sellers who act independently***

***Wide knowledge of the market***

***Firms practice e produt differentiation***

***No barriers to entry of exit***

1. Highlight four sources of monopoly power. 4mks

***Ownership of production rights.***

***High initial capital***

***Additional costs by other firms***

***Combining of various firms***

1. Outline four costs involved in distribution of goods. 4mks

***Buying costs***

***Insurance costs***

***Storage costs***

***Preparation costs***

1. Highlight four diseconomies of scale. 4mks

***Scramble for raw materials***

***Scramble for available market***

***Inadequate land for expansion***

***Easy target in times of war***

1. Highlight five channels of distribution involved in exporting tea from Kenya to china.10mks