**BUSINESS STUDIES**

**FORM 3**

**MID TERM**

**TERM 1 2021**

**TIME: 1hr**

**NAME ……………………………………………….. ADM …………….. CLASS………….**

***Instructions***:

***Answer all the questions in the spaces provided***

1. Give four features of economic resources. (4mks)
2. Indicate with a tick (√) in the appropriate column the business environment associated with each of the factors mentioned below. (4mks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **FACTOR**  | **INTERNAL** | **EXTERNAL** |
| i. | Government policy |  |  |
| ii. | Technological environment  |  |  |
| iii. | Financial resources |  |  |
| iv. | Firm structure |  |  |

1. State four reasons why people engage in business activities. (4mks)
2. Highlight four factors that may be used to determine the size of a firm. (4mks)
3. Indicate by writing the word ‘TRUE’ of ‘FALSE’ against the statement describing characteristic for goods and services. (3mks)

|  |  |  |
| --- | --- | --- |
|  | **STATEMENT** | **TRUE or FALSE** |
| a. | Goods are inseparable from their producers |  |
| b. | Services can be standardized in form of size, appearance or quality |  |
| c. | Services are experienced not owned |  |
| d. | Goods are not always perishable  |  |
| e. | Services are highly perishable  |  |
| f. | Goods can change in value overtime |  |

1. The following are types of advertising: product advertising, competitive advertising, informative advertising and institutional advertising. In the table below, match each type with its appropriate description. (4mks)

|  |  |  |
| --- | --- | --- |
|  | **TYPE OF ADVERTISING**  | **DESCRIPTION** |
| a) |  | Promotes the name of the manufacturer |
| b) |  | Persuades the consumers to buy a product |
| c) |  | Creates awareness about a product |
| d) |  | Promotes a particular brand of a product |

1. Outline four barriers to written communication. (4mks)
2. The diagram below shows the current demands for petrol.

 D0

Quantity

Price

P0

O

Q 0

 D0

1. What is the effect of an increase in the price of cars on demand for petrol? (2mks)
2. Draw a new demand curve on the diagram above to show the effect of an increase in prices of cars. (2mks)
3. State four benefits that consumers get from small scale retailers. (4mks)
4. Outline four sources of a business idea. (4mks)

**SECTION 2**

**ANSWER ANY ONE QUESTION.**

1. Using a diagram, describe the effects of outward shift in supply curve on equilibrium price and quantity. (10mks)
2. Outline five circumstances under which a firm will be located near the market for its products. (10mks)