THEORY OF THE FIRM

KCSE QUICK REVISION

Compilation of Possible Questions in Business Studies Likely to be Examined in KCSE.

A Special Analysis of Prediction Questions that may be Tested in KCSE from this Topic in Form 3.

BUSINESS STUDIES

SERIES 1

For Marking Schemes

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THE THEORY OF THE FIRM

The topic entails ;

- ✓ **Meaning and distinction between firm and industry;.**
- ✓ **Discuss factors that influence the decision on what to produce.**
- ✓ **Discuss the various costs of production and their derivation.**
- ✓ **Differentiate between small and large firms**
- ✓ **Discuss the various factors influencing location of firms; reasons for localization and delocalization.**
- ✓ **Explain meaning of economies and diseconomies of scale and how they influence production decisions of the firm.**
- ✓ **Explain the reasons for continued existence of small firms despite economies enjoyed by large scale firms.**
- ✓ **Discuss environmental implications on production activities.**

QUESTIONS

1 . Highlight **four** ways a trader benefits from localization of industries

2. State **four** factors that determine the size of a firm

3. Highlight **four** measures the government may take to promote delocalization in the country

4. Highlight **four** reasons why small scale businesses are popular in Kenya inspite of economies of scale associated with large scale organizations

5. State **five** reasons for the existence of small firms in an economy

6. Give **four** ways in which a firm may achieve marketing economies of scale

7. The table below represents units of output and their cost of production. Find the values of costs **A, B, C** and **D**

Units of output	Total fixed cost (TFC)	Total variable cost (TVC)	Total cost	Average fixed cost (AFC)	Average variable cost (AVC)	Average cost(AC)	Marginal cost (MA)
3	300	240	A	100	80	180	60
4	300	320	620	75	B	155	80
5	300	500	800	C	100	160	180
6	300	720	1020	50	120	D	220

8. The table below shows the total cost of a certain product at given output levels

Output (units)	0	10	20	30	40	50	70	80
Total cost (Kshs)	300	380	470	550	620	680	730	770

At output of 50 units; determine

a) Total fixed costs

b) Average variable cost

c) Average total cost

d) Marginal cost

9. Give **four** reasons why a firm may choose to remain small despite the benefits of expansion

10. Highlight **five** reasons why a firm may be located near the market for its products

11. Explain **five** reasons why the government may adopt the delocalization policy of locating

12. Discuss **five** factors that may account for the existence of small firms in an economy

13. Explain **five** factors that determine the size of a firm

14. Explain **five** factors that determine the decision of a firm on what good sand services to produce

15. Explain **five** circumstances under which a firm may be located near the source of raw Materials

16. Outline any **five** reasons that account for the popularity of small scale retails in Kenya

17. Explain **five** factors that may account for the survival of small firms in an industry.

For Marking Schemes/Answers

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FOR THE FOLLOWING;

- ✓ONLINE TUITION
- ✓REVISION NOTES
- ✓SCHEMES OF WORK
- ✓SETBOOKS VIDEOS
- ✓TERMLY EXAMS
- ✓QUICK REVISION KITS
- ✓KCSE TOPICALS
- ✓KCSE PREMOCKS
- ✓TOP SCHOOLS PREMOCKS
- ✓JOINT PREMOCKS
- ✓KCSE MOCKS
- ✓TOP SCHOOLS MOCKS
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