

FORM 2
BUSINESS STUDIES, MID TERM 2 017
MARKING SCHEME

1. Outline four advantages of sole proprietorship form of business. (4mks)
 - i. Requires small capital to start
 - ii. Decision making is faster.
 - iii. The owner enjoys all profits earned.
 - iv. Easy to form due to few legal requirements
 - v. Flexible in terms of business activities
 - vi. The owner enjoys business secrets

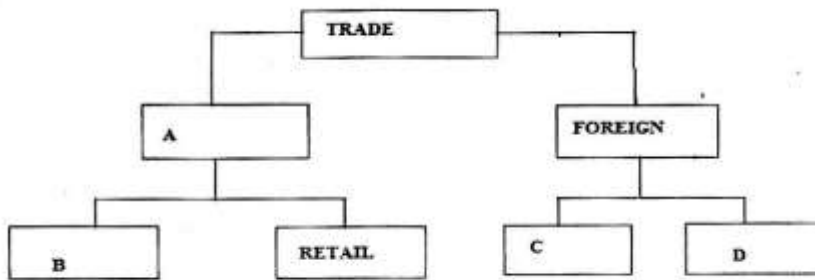
2. Describe the following factors that make up the external business environment. (4mks)
 - i. Economic factors - Factors that affect the consumer's ability to buy goods / services
 - ii. Demographic factors - Factors affecting the population e.g. size, density age and sex distribution, birth and death rates etc.
 - iii. Socio-cultural factors - Peoples beliefs /attitudes / lifestyles which affect the consumers purchasing patterns
 - iv. Technological factors - Refers to the levels of know-how / application of scientific knowledge! tools I equipment in production

3. Highlight four services offered by retailers to consumers. (4mks)
 - i. Variety of goods
 - ii. Advice / information about use of goods
 - iii. Avail goods at convenient location
 - iv. Break bulk
 - v. Offer discount
 - vi. Offer credit facilities
 - vii. Accumulate bulk

4. Mention four benefits of office machines to an organization. (4mks)
 - i. Saves on labour
 - ii. Time saving since they are faster thus
 - iii. Are more accurate
 - iv. The final product is more presentable
 - v. Enhances uniformity of the output
 - vi. Helps in ensuring control thereby reducing fraud

5. State four roles of an entrepreneur in production. (4mks)
 - i. Identifies viable business opportunities
 - ii. Provides guidelines on how production should be organized! Take/place/Coordinate
 - iii. Provides the capital necessary to carry on production
 - iv. Hires and rewards all other factors of production
 - v. Bears all the risks/incurs losses/enjoys all profits
 - vi. Decides how/Where/when/what to invest the business
 - vii. Provides/Avails/assembles/marshals other factors of production

6. Fill the blanks marked A, B, C and D (4mks)



- ii. B wholesale trade
- iii. C import trade
- v. D export trade

7. Give the provisions of the partnership act of 1963 regarding: (4mks)

- i. **Profits and losses:**
Profits and losses are to be shared equal.
- ii. **Admission of new partner:**
A new partner can only be admitted on consent of all partners
- iii. **Salary to any partner**
No salaries are paid to any partner
- iv. **Contribution of capital**
Partners are entitled to equal capital

8. Outline four trends in office management. (4mks)

- i. Performance contracting
- ii. Introduction of CCTVs to monitor the activities
- iii. Adoption of landscaped office plans to replace the enclosed plans.
- iv. Offices are located outside the town CBD
- v. Introduction of public relations department
- vi. Electronic staff log in and out system
- vii. Use of communication and information technology

9. Give four roles played by the stock exchange market in Kenya. (4mks)

- i. Facilitates the buying and selling of shares amongst the citizens.
- ii. Mobilizing saving
- iii. Indicator of the companies' performance.
- iv. Promote managerial practices as companies
- v. Ensures protection of investors' interest
- vi. Providing useful information to investors on the shares to buy through the mass media
- vii. Assist companies to raise capital by creating an environment through which such companies issue new shares to the public (IPO)
- viii. Creation of employment e.g. brokers, agents
- ix. Raising revenue for our the government e.g. taxes, license fees and rent and rates
- x. Fixing of prices i.e. to determine the equilibrium price (true market value) of the securities.
- xi. Measure of a country's economic progress

10. State four benefits of hire purchase selling to a trader. (4mks)

- i. Seller enjoys a higher sales turn over
- ii. Seller enjoys higher profits due to interest on hire purchase sales
- iii. Seller can re-possess item in case of default in payments

iv. Capital from down payments enables the seller to continue in trading

11. Outline four roles of ethics in business operation.

(4mks)

- i. Encourages good working relationship among workers
- ii. Ensures fair competition in business
- iii. Encourages good working relationship between employer and employee.
- iv. Ensure rights of individual workers are upheld
- v. Ensure appropriate professional relationship between professionals and clients

- vi. Help workers protect and uphold good image of business organization
- vii. Help in protection of environment
- viii. Help workers develop proper skills and right attitudes towards their work
- ix. Helps in avoiding consumer exploitation

12. Outline four ways by which an institution can improve the performance of its workers. (4mks)

- i. Introduce them to advance technology.
- ii. Set performance contracts.
- iii. Regular review of salary / fringe benefits.
- iv. Give yearly bonuses to hardworking employees.
- v. Regular communication with employees.

13. List any four documents used in home trade that originates from the seller.

- i. A catalogue
- ii. Quotation
- iii. Price list
- iv. Acknowledgement note
- v. Packing note
- vi. Advice note
- vii. An invoice
- viii. Receipt
- ix. Statement of account

14. Outline four characteristics of services. (4mks)

- i. Are intangible
- ii. Cannot be stored
- iii. Quality cannot be standardized
- iv. Inseparable from the provider

15. List four disciplines that form business studies. (4mks)

- i. Commerce
- ii. Accounting
- iii. Economics
- iv. Entrepreneurship
- v. Office practice

16. Outline four features of cooperative societies. (4mks)

- i. Formed by a minimum of ten persons with no set maximum
- ii. Members are entitled to one vote each
- iii. Are managed by an elected management committee
- iv. Have perpetual life
- v. Are governed under the cooperative Acts / by laws made by members
- vi. Membership is open and voluntary
- vii. Enjoy limited liability status

17. State four circumstances under which a proforma invoice may be used. (4mks)

- i. When the seller requests the buyer to make payment of goods before delivery
- ii. When the seller doesn't want to give out goods on credit
- iii. When the importer of goods want to get customs clearance before the goods are sent
- iv. When the seller wants to show the buyer the amount he/she would have to pay for if he/she buys goods on approval
- v. When the seller employs agents to sell goods for him/her.

18. Outline four reasons why choices are important in the satisfaction of human wants. (4mks)
- i. Wants are unlimited while resources are limited
 - ii. Some wants are more urgent than others
 - iii. There are wide varieties that satisfy the same wants
 - iv. Commodities differ in quality and other features
 - v. Some wants are recurrent.
 - vi. Human wants are competitive

19. Give four functions of an office in an organization. (4mks)
- i. Receive information from external and internal sources for the organization such as letters, telephone calls
 - ii. Distributes information by passing it to the relevant persons / departments for necessary action.
 - iii. Reproduction of documents
 - iv. Receive / attend visitors by giving direction on required information
 - v. Mailing.
 - vi. Safeguarding / controlling they organizations property.
 - vii. Filing of documents
20. Give four reasons why a consumer may prefer buying from a super market. (4mks)
- i. Goods are offered at relative low/fair prices.
 - ii. Customers can buy a variety of goods under one roof! less movement.
 - iii. They offer quality goods to the customers.
 - iv. Easier to shop since they accept credit cards/plastic money
 - v. They at times offer after sale services to the customers e.g. Packaging.
 - vi. One can choose the displayed goods hence time saving.
 - vii. Goods bears price tags/no bargaining/saves time.
 - viii. Operate on self-service basis hence easy budgeting.
21. Give four characteristics of indirect production. (4mks)
- i. Enhances specialization.
 - ii. Production of surplus goods
 - iii. Better quality goods produced
 - iv. Exchange of goods leading to trade
 - v. Encourages innovation and invention
22. State four ways in which natural resources may be of benefit to a country.
- i. Their exploitation creates employment
 - ii. Provides raw materials for industries
 - iii. They are used to generate income for a country! foreign exchange earnings
 - iv. They are of food to the populace.
23. Outline four types of business activities. (4mks)
- i. Extraction
 - ii. Processing of raw materials
 - iii. Manufacturing
 - iv. Distribution of goods
 - v. Trade
 - vi. Provision of services
24. List four factors that constitute the internal environment of a business. (4mks)
- i. Physical resources
 - ii. Financial resources.
 - iii. Hi. Human resources
 - iv. Business culture
 - v. The owner(s)
 - vi. Business structure
25. Outline four disadvantages of public corporations. (4mks)
- i. May suffer inefficient management due to political appointees
 - ii. Political interference in the operations
 - iii. Suffer from diseconomies of scale
 - iv. Some operate as monopolies therefore may exploit the consumers