**Term 2 - 2022**

**BUSINESS STUDIES (565/2)**

**FORM FOUR (4)**

**Time: 2½ Hours**

**Marking Scheme**

1. **(a) Circumstances that can cause a business to succeed in their activities**

- Where there is proper location of the business convenient for its operations .i.e Availability of customers.

- Where there is favourable government policies it encourages growth and investment.

- Where there is political stability and security thus creates certainty and confidence to entrepreneurs.

- Where there is fair competition to enable business access markets for its goods and

services

- Where there is use of modern technology in production of goods and services promoting

quality production.

- Where there is adequate capital to run and expand the business.

- Where there is availability of skilled and adequate labor matched to their job

specialization

- Where there is good customer relationship and care to attract and retain clients.

- Where there is availability of good infrastructure for business to access its market and

inputs.

- Where there is proper marketing plans to increase sales.

**5 well explained points= 10mks**

**(b) Procedure an insured must take when making an insurance claim (10mks)**

* Notification of the insurer by the insured that the risk insured against has occurred.
* Filling a claim form. The insured is issued with a claim form to fill in giving details of the risk based on the principle of utmost good faith.
* Investigation of the claim. The insurer investigates the claim based on the information in the claim form.
* Preparation of the assessment report. The insurer assesses the assessor's report on the extent of the loss.
* Payment of the claim .On the assessment of the claim, the insured prepares to compensate the insured.**(5 well explained steps= 10mks)**

**2. a)**

Mzalendo Enterprises

Balance Sheet

As at 30th July 2010

Fixed Assets Ksh. Ksh Ksh.

Motor Van 85,000√ Capital 250,000√

Furniture 20,000√

105,000

Current assets

Stock 16,500√

Bank 103,500√ Short term liabilities

Cash 50,000√ 170,000 Creditors 25,000√

275,000 275,000

**(b) Importance of encouraging upward communication in an organization**

* Facilitates quick feedback
* Enables the management to receive and accommodate the views and sentiments of all staff in the organization when making decisions
* Enables a sense of belonging among workers thus motivating all members of staff
* Encourages free dialogue between the junior and senior members of staff

3. a) Three column Cash book

Three column cash book

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | Details | Discount allowed | Cash | Bank | Date | Details | Disc Received | Cash | Bank |
| 2020  March 1  3  6  9  17  21  23  30 | Bal b/d  Sales  Sales  Amolo  Sales  Bank  Rotich  Cash | 2000  1250  .  3250 | 7800  50,000  30,000  .  87800 | 6500  18000  150000  23750  48,800  .  247,050 | 2020  March 1  4  13  14  21  25  26 | Bal b/d  Purchase  Insurance  Kimotho  Cash  Wages  Amolo  Bank  Bal c/d | 300  .  300 | 16000  20000  48800  3000  87800 | 23400  15000  9700  30000  18000  150950  247050 |

**(b) Challenges of young population. (10mks)**

1. High rate of unemployment – demand for jobs increases.
2. Rate of crime/social evils may rise – due to the idleness of youths.
3. Constraints/pressure on resources available
4. Dependency ratio will rise.
5. Reduced investment/savings.
6. Low labour supply.
7. Low per capital income.
8. Problem of raising government/finance.

**4. (a) Explain five circumstances under which personal selling may be appropriate as a method of product promotion. (10mks)**

1. When launching a new product because it requires a lot of awareness creation, persuading and convincing.
2. When the products are tailored to meet customers specification because customers have varying tastes and preferences.
3. When demonstration is required especially for technical products.
4. When the value of the product is high to avoid risks of losing such products.
5. When the organization can afford to finance the sales force.
6. When the market is concentrated in one area.

**(b) Explain five factors that may hinder entrepreneurial activities in a country. (10mks)**

1. Unfavorable government policies, which discourage establishment of business e.g high taxation.
2. Poor infrastructure discourages smooth running of the business.
3. Political instability.
4. Stiff competition.
5. Inadequate resources to start and run the business.
6. Unavailability of market.

**5 Advantages of specialization and division of labour**

i.) Output per worker is greatly increased thus increased productivity

ii.) Encourages invention and innovation thus reducing the cost of production

iii.) High quality goods and services are produced thus attracted more demand

iv.) It saves on time thus maximizing on available labour

v.) Production is faster and efficient thus enable continuous supply and meet unexpected demand

**b) Policies to be taken**

i.) Workman’s compensation policy as it covers workers who may be injure in the course of their duties

ii.) Cash on transit policy to cover any loss of cash enroute the bank

iii.) Fidelity / guarantee policy so as to cover any loss caused by dishonesty of workers

iv.) Fire policy which covers the losses caused by incidences of fire

v.) Sprinkle leakage policy to cover against leakage of fires fighting sprinkles affixed in the

premium

vi.) Goods on transit policy to cover goods being transported to/from the premium

vii) Windows/ glass policy – to cover damage to the windows and glass to the premises

viii) Burglary policy – to cover theft and burglary to the premises

**6. a) Advantages of Mpesa**

i.) Saves time

ii.) Withdrawal can be done any time

iii.) They are conveniently placed

iv.) Have access to account balance

v.) Can pay utility bills

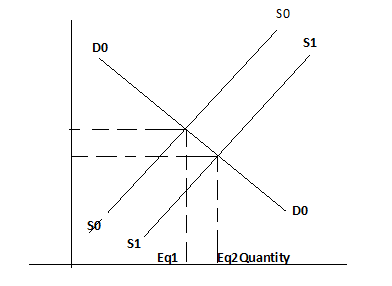
vi.) Cheap to operate

vii.) Safer to use

viii) Can deposit money in bank account

ix) Can withdraw money from the bank

b)



A decrease in cost of production will increase the quantity supplied resulting to

i.) A forward shift of the SS curve

ii.) Increase equilibrium quality

iii.) Reduced equilibrium price

iv.) A forward shift of the equilibrium point