**BUSINESS STUDIES**

**FORM 4**

**PAPER TWO**

**565/2**

**TERM ONE**

**MAY 2022**

**MARKING SCHEME**

**1. a) Benefits of an open plan office layout to an organization includes:**

i) Easy supervision- it is easy to monitor employees’ performance since they are in the same room.

ii) Economy of space- more floor space is available since space has not been lost through partitions.

iii) Cheap to construct/decorate/maintain because of minimal partitioning.

iv) There is sharing of resources and therefore firms are able to save on cost of acquisition.

v) Easy to reorganize/rearrange/redesign when need arises because it’s only done in one room.

vi) Enhances team work as workers learn together by sharing ideas.

vii) Discourages absenteeism due to close supervision. (5×2=10 marks)

**b) Problems which consumers will face due to unavailability of warehouse:**

i) They will lack seasonally produced goods due to lack of storage in times of plenty.

ii) They will buy damaged goods since goods will not be protected.

iii) Prices will not be stable because they will be no balance between shortages and surplus.

iv) They will not enjoy continuous supply of goods due to lack of continuous production.

v) Will buy low quality goods since goods will not improve in quality due to lack of a ware house.

vi) Will not enjoy goods that are already prepared for sale through ways such as blending, grading etc. (5×2=10 marks)

**2. a) Possible channels for distributing imported goods:**

i) Foreign producer/exporter Local consumer.

ii) Foreign producer /exporter Retailer Local consumer.

iii) Foreign manufacturer/producer Import agent Local consumer.

iv) Foreign producer Wholesaler Retailer Local consumer.

v) Foreign manufacturer Wholesaler Local consumer.

vi) Foreign producer producer representatives’ Local consumer.

(5×2=10 marks)

**b) Importance of communication to a business includes:**

i) Enhance coordination between departments ensuring they all work towards a common goal.

ii) Helps in maintaining positive relationships with other stake holders for smooth operations.

iii) Facilitate the decision making process within the business for better management.

iv Increased employee motivation due to clarification of goals/expectations.

v) Improved harmony/peace in the business due to minimal conflicts since issues are clarified.

vi) Improved image of the business which elevates the standards of the business in the market. (5×2=10 marks)

**3. a)** D1

PRICE √ D0 S0 √

P1 E1 √

√

P0 E0 √

√

D1√

S0 √ D0 √

Q0 Q1 QUANTITY √

NB: Properly labeled diagram. (10×1=10 marks).

Or Incase direction for price and quantity change not indicated award explanation as follows:

i) There will be excess demand that will lead to increase in price from P0 to P1.√

ii) Suppliers will supply more to take advantage of increased price i.e. Q0 to Q1.√

**b) Services that retailer offers to consumers:**

i) Breaking bulk, selling goods in small quantities that consumer can afford.

ii) They bring goods closer to consumers thus reducing their transport costs.

iii) They offer a variety of goods to consumers from different manufacturers which enable them to make choices.

iv) They advice consumers on issues such as prices, use, variety, quality and new brands.

v) They ensure continuous supply of goods through buying and storing and releasing in time of needs.

vi) They offer after sale services such as transportation, installation and packaging to consumers.

vii) They offer credit facilities to those customers who are credits worthy.

(5×2=10 marks)

**4. a) Negative implications of a young population includes:**

i) Leads to low labour supply since they have not attained the working age.

ii) Leads to high unemployment since the existing job opportunities do not match with the demand.

iii) It diverts government resources to cater for consumption of goods and services for the youths thus reducing economic growth.

iv) Increased rural-urban migration leading to development of slums.

v) It creates pressure on social amenities such as schools leading to poor quality services.

vi) Increased social problems due to high idleness as young people transit into working age. (5×2=10 marks)

**b) Differences between cooperatives and public limited companies:**

|  |  |
| --- | --- |
| COOPERATIVES | PUBLIC LIMITED COMPANIES |
| a) Formed by a minimum of 10 members. | a) Formed by a minimum of 7 shareholders. |
| b) Registered by commissioner of cooperatives. | b) Registered by registrar of companies. |
| c) Managed by a committee elected by members in an AGM. | c) Managed by board of directors. |
| d) Governed by cooperatives by laws. | d) Governed by articles of association. |
| e) Formed to provide services to members. | e) Formed with aim of making profit. |
| f) Members have a common bond/attachment. | f) Shareholders have nothing in common. |

(5×2=10 Marks): No splitting of marks.

**5. a)** JUA KALI TRADERS

BALANCE SHEET

AS AT 31ST DECEMBER 2018√

|  |  |
| --- | --- |
| FIXED ASSETS: KSH  Premises 190,000√  CURRENT ASSETS:  Debtors 15,000√  Stock 35,000√  Cash at bank 10,000√  Cash in hand 22,000√  272,000√ | KSH  Capital 250,000√  Short term liabilities:  Creditors 22,000√  272,000√ |

(10×1=10 Marks)

**b) Procedure followed when making an insurance claim**:

i) Notify the insurer immediately when the insured risk occur.

ii) Filling the claim form, giving details relating to the occurrence of the risk.

iii) Investigation of the claim to assert whether the cause of the loss has any direct connection with the risk insured.

iv) Preparation of the assessment report concerning the extent of the loss.

v) Payment of the claim to the insured which concludes the contract between the insured and the insurer.

(5×2=10 Marks)

**6. a) Reasons why a business would adopt ethical practices while conducting its operations:**

i) Business ethics ensure that there is no imitation or counterfeit products.

ii) Ensure that business give true advertisement about their products.

iii) Helps to avoid dishonest dealings in business operations.

iv) Ensure business sell safe and secure quality products.

v) Ensure that they deal with competitors fairly.

vi) Help the business to maintain a healthy business environment.

vii) Help them to perform social corporate responsibility i.e. helping the less fortunate people in society.

viii) Helps to protect the rights of workers.

(5×2=10 Marks)

**b) Features of monopolistic competition**:

i) Many sellers and buyers who operate independently.

ii) Free entry and exit from the market, there are no barriers as decision to enter or leave the market is influenced by profit/loss.

iii) Commodities sold are very close substitute but differentiated in ways such as shapes, names, colour or scent.

iv) Firms are independent in terms of pricing and quantities to produce.

v) All firms earn normal profits in the long run since supernormal profits attract new firms and losses make some firms to quit.

vi)Wide/perfect knowledge of the market in terms of prices, qualities or other market factors.

vii) A single firm does not significantly affect the market in terms of market supply by joining or leaving the industry.

(5×2=10 Marks)