

BUSINESS STUDIES MARKING SCHEME

FORM 2 TERM 1

ANSWER ALL QUESTIONS

TIME: 2 HOURS

1. State 4 disciplines of business studies (4mks)
 - a) *Accounting*
 - b) *Entrepreneurship*
 - c) *Commerce*
 - d) *Office practice*
 - e) *Economics*

2. Highlight four features of direct production (4mks)
 - a) *Production is for own use/subsistence production*
 - b) *Low levels of technology are used in production*
 - c) *Goods produced are often of low quality*
 - d) *Goods are produced in small quantities/ no surplus produced*
 - e) *The producer is involved in all stages of production/no division of labour*
 - f) *The producer earns no extra income*
 - g) *The producer's living standards is low for lack of variety of goods*
 - h) *The producer strives to produce a variety of commodities/lack of specialization*

3. Outline four reasons why human beings make choices when satisfying their wants.
 - a) *Because goods and services have different prices.*
 - b) *Due to influence from many advertisements/ media campaigns.*
 - c) *Since resources are scarce/ inadequate to satisfy all wants.*
 - d) *Due to differences in tastes, fashions and preferences.*
 - e) *Some needs are more urgent than others.*
 - f) *The need to be different from others.*
 - g) *To be trendy.*

4. Outline four ways in which a well laid out business structure may lead to the success of a business (4mks)
 - a) *Reduces confusion among workers*
 - b) *Enhances teamwork*
 - c) *Facilitates easy control of workers*
 - d) *Facilitates easy evaluation of workers*

5. Highlight four reasons for dishonoring a properly drawn cheque (4mks)

- a) *If the drawers account has insufficient funds*
- b) *If the drawer instructed the bank not to honour the cheque*
- c) *If the signature on the face of the cheque differs with the specimen in the bank*
- d) *If the cheque is postdated*
- e) *If the cheque is stale*

6. Highlight four external business environment that may positively affect the operations of a business. (4mks)

- a) *Reliable suppliers*
- b) *Fair competition*
- c) *Favourable social cultural environment*
- d) *Availability of advanced technology*
- e) *High demand/availability of many customers*
- f) *Increasing population*
- g) *Conducive economic environment.*
- h) *Favourable legal political environment/ enhanced security.*
- i) *Availability of raw materials.*

7. State the reward for each of the following factors of production. (4mks)

Factors of production	Reward
i) Land	<i>Rates/Rents/Royalties</i>
ii) Capital	<i>Interest</i>
iii) Entrepreneurship	<i>Profits</i>
iv) Labour	<i>Wages / Salaries</i>

8. Highlight four documents that are necessary in the registration of a limited liability company (4mks)

- a) *Articles of Association.*
- b) *Memorandum of Association.*
- c) *Prospectus.*
- d) *List of directors.*
- e) *Declaration.*
- f) *Statement signed by directors.*

9. Outline 4 principles of co-operatives societies (4mks)

- a) *Limited interest on capital*
- b) *Democratic administration*
- c) *Voluntary membership*
- d) *Offer education to members*
- e) *Co-operation with other cooperatives*

10. Highlight four functions of commercial attaches (4mks)

- a) *Educating and advising exporters on trade regulations/practices in other countries.*
- b) *Expansion and diversification of exports.*
- c) *Organizing for trade fairs and exhibitions of local goods in foreign markets.*
- d) *Expansion and diversification of foreign markets.*
- e) *Providing information about available selling opportunities in foreign countries to local producers.*
- f) *Developments of bilateral and multilateral trade agreements.*
- g) *Select buyers/agents and distributors for the country's export. Separate point*
- h) *Publish and advertise their country's exports in business journals and magazines.*

11. Highlight four ways in which a government participate in business activities. (4mks)

- a) *Regulation of businesses*
- b) *Training of entrepreneurs*
- c) *Trade promotion*
- d) *Provision of services*
- e) *Creating an enabling environment.*
- f) *(Consumer of goods/services.) NA*

12. Outline four ways in which consumers can protect themselves against exploitation (4mks)

- a) *Inspecting goods before buying.*
- b) *Enlightening themselves about their rights as consumers.*
- c) *Familiarizing themselves with the obligations of traders.*
- d) *Forming consumer associations.*
- e) *Reporting cases of exploitation by traders to relevant authorities.*
- f) *Avoiding traders identified as exploiters.*
- g) *Demonstrate peacefully against the exploiter.*
- h) *Complain through the media.*

13. Highlight four characteristics of an entrepreneur. (4mks)

- a) *Creative/ imitative*
- b) *Hardworking/committal*
- c) *Goal oriented*
- d) *Self-confidence/optimistic*
- e) *Risk taker*
- f) *Decision maker*
- g) *Good networker*
- h) *Good communication skills*
- i) *Ethical*
- j) *Flexible*
- k) *Persistent/patient*
- l) *Independent*
- m) *Desires feedback*

14. Outline four features of a sole proprietorship form of business unit. (4mks)

- a) *Owned by one person/ capital in contributed by one person*
- b) *Is usually small due to limited capital*
- c) *Is highly flexible*
- d) *Secrecy and confidentiality are maintained in this business*
- e) *The proprietor has unlimited liability*
- f) *Lack perpetual succession/its life is limited*
- g) *In law the business and the owner are one/ does not have a separate legal entity*

15. State the meaning of the following terms as used in Business. (4mks)

- a) *Merger- Two or more companies combine to form one big company.*
- b) *Holding company- A company acquires at least 51% of shares in another company called subsidiary.*
- c) *Franchising- Is where a company gives permission to another company to produce and distribute its brand/goods.*
- d) *Cartel- Companies that come together in formal agreement to control output, price and marketing of their goods and services*

16. Explain five reasons why people prefer to start a partnership business. (10 marks)

a) **Partnerships can raise more capital**- People prefer partnership form of business because unlike in sole proprietorship, the partners will be able to raise high amounts of capital
WHY? HOW?

Let the answer given bring out the how/the why?

b) Distribution of work- Work is distributed among the partners and this reduces the workload for each partner.

b) **Combination of talents and skills**- Different talents and skills are combined such that each partner is assigned the responsibility which he/she can perform best.

c) **Sharing of losses and liabilities**- Unlike a sole proprietor who bears losses and liabilities alone, the liabilities and losses in partnership are shared among the partners. This eases the burden for an individual.

d) **Few legal formalities**- There are few legal formalities required in the formation of a partnership in comparison to a limited liability company.

e) **Sharing of ideas**- Consultation and sharing ideas among partners may lead to better decisions in the business.

17. Explain five circumstances under which a business may prefer open office layout

(10 marks)

a) **When the business wants to reduce wastage of time**- In an open office layout, there is no wastage of time as people move from one place to another to get documents or passing information

b) **When the business wants to curb the problem of absenteeism**- In an open office layout, there is less absenteeism because there is close supervision/monitoring of members of staff

c) **When the business wants to control misuse of office facilities/resources**- In an open office layout, members of the staff may not use the office resources for their own personal work

d) **When the business wants to reduce on the cost of construction and maintenance**

e) **When the business wants to encourage team work**

f) **When the business wants to save on the space**

18. Explain five differences between private limited and public limited liability companies

Private limited company	Public limited company
<i>Formed by 2-50 shareholders</i>	<i>Formed by min of 7 shareholders and no max</i>
<i>Doesn't advertise its shares to the public</i>	<i>Can advertise its shares to the public</i>
<i>Share transfer is restricted</i>	<i>Shares are freely transferable</i>
<i>Can start operations immediately after getting the incorporation certificate</i>	<i>Can only start operations after getting the incorporation certificate and the trading license</i>
<i>Not required to publish its financial reports</i>	<i>Required by law to publish its financial reports</i>
<i>Managed by 2-3 directors</i>	<i>Managed by a board of directors</i>

(10 Marks)

19. Explain 5 types of wholesalers in an economy (10 marks)

- a) **General merchandise wholesalers** -The general merchandise wholesalers stock and sell a wide variety of goods e.g. hardware, clothes, cosmetics and foodstuffs.
- b) **General line wholesalers** -These are wholesalers who deal in a wide variety of goods within the same line e.g. textbooks, duplicating papers and other types of stationary.
Specialized wholesalers-These are wholesalers who deal in a particular good from a given line e.g. in the line of grains, they may specialize in maize only.
- c) **Nationwide wholesalers**-These are wholesalers who supply goods to traders in all parts of the country.
- d) **Regional Wholesalers** - These are wholesalers who supply goods to certain parts of the country only. They may cover a county, District, division etc.
- e) **Cash and carry wholesalers**; these wholesalers sell goods on cash and self-service basis like supermarkets. They neither offer transport nor credit facilities to their customers.
- f) **Mobile wholesalers/Track distributors**; these are wholesalers who use vehicles to move from place to place supplying goods to retailers e.g. soda distributors, bread distributors, beer distributors etc.

- g) **Rack jobbers**-These wholesalers specialize in selling certain/particular products to other specialized wholesalers. They buy goods from producers or from other countries for reselling.
- h) **Drop shippers**-These are wholesalers who make orders for goods from manufacturers/producers but do not take them from the producer's premises. They then look for the buyers for the goods and supply the goods directly from the producers

