

**BUKAKA CLUSTER EXAMINATIONS
END OF TERM 1, 2025**

565/2

BUSINESS STUDIES

FORM 4

PAPER 2

MARKING SCHEME

1. a) Describe five factors that encourage entrepreneurship in Kenya. (10 marks)

- i) favorable government policy
- ii) Improved /developed infrastructure
- iii) Appropriate levels education and skills
- iv) Availability of adequate market
- v) Favorable culture
- vi) Lack of stiff competition
- vii) Political stability
- viii) Availability of natural factors

(Accept examples of favourable government policy as a mention)

5 well explained @2 marks=10 marks

b) Explain five factors than may lead to a shift in the supply curve to the right. (10 marks)

- I. reduction in price of inputs /cost of production leading to increased production/accept examples of inputs /reduced cost as a mention
- II. an improvement in technology leading to high output
- III. natural factors that favour the supply of product leading to more production
- IV. entry of new producing firms leading to more production
- V. favourable government policies which increase production
- VI. decrease in price of substitute goods encouraging production of the product due to better profit
- VII. expectation of future increase in the price of the product will lead to increased production now
- VIII. expectation of future decrease in price of the product leading to increased supply
- IX. increased availability of inputs leading to increased production

Stating 1 mark

Explanation 1 mark

Otherwise 5 well explained @2 marks=10 marks

2.a) Briefly describe the procedure for obtaining an insurance policy. (10mks)

- Establishment of contact between the insurance company or a broker
- Filing the proposal form
- Calculation of premiums payable
- payment of first premium
- Issuing of a cover note/binder,
- Issuing of a policy

5x2=10mks

b) **Limitation of use of containers**

- i) Specialized equipment which are expensive. The method calls for specialized equipment for handling goods which are lacking/expensive to buy/use/maintain. Accept examples of specialized equipment e.g. handling and offloading machines.
- ii). Organization personnel/talents/training/operational/management skills needed for the method may be lacking/training may be expensive.
- iii). Volume of business may not be large enough/warrant the heavy investment /volume of business may be low.
- iv). Initial capital needed for the system/not easily available/expensive.
- v). The method requires re-degrading of existing ports/reconstructing part which is quite expensive.
- vi). Use of medium technology which is limited/lacking/not readily available/limited medium technology (in a developing country) which may slow the rate of processing goods.
- vii) General resistances to change by stakeholders/interested/affected parties of people generally resist change.

3. a) **Uses of a business plan to an entrepreneur**

- It is used as tool to seek for and raise finance
- Used to avoid panic and uncertainty in the process of starting a business
- Help in avoiding mistakes - when drawing up a plan, mistakes that would take place are identified and corrected in the plan
- Revealing strength and weakness e.g unqualified workers are trained
- Used to determine the amount of finance required
- Allocation of resources – helps entrepreneurs to allocate resources available in the most efficient way
- A motivating factor – a business plan is communicated to all employees
- An in built control mechanism for controlling inefficiencies and wastage
- Helps in identifying customers needs and ensuring goods and services provided confirm to those needs
- Used as blue print for the development of a business
- Used to build confidence in the entrepreneur

5x2=10mks

b)

kaka Enterprises

Two column cash book for the month of June 2005

DR.

CR.

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2005 June							
3 rd	Sales	230,400✓		1 st	Purchases	82,320✓	
4 th	Debtor		400,000✓	2 nd	Wages		20,000✓
6 th	Van		320,000✓	5 th	Furniture	20,000✓	
8 th	Bank(L1)	40,000✓		7 th	Purchases		20,000✓
9 th	Cash(L2)		80,000✓	8 th	Cash(1)		40,000✓
12 th	Mwendwa		60,000✓	9 th	Bank(c)	80,000✓	
13 th	Loan	100,000✓	46,000✓	10 th	Drawings	20,000✓	

14 th	Poro			11 th	Electricity	2,000	1,750✓
30 th	Bank(L3)	774,250✓		30 th	Cash(c)		4,250✓
				30 th	Bal c/d	<u>958</u> 330✓	<u>50,000</u> ✓
		<u>1,144,650</u>	<u>906,000</u>			<u>1,144,650</u>	<u>906,000</u>
31 st July	Bal. b/d	958,330	50,000				

4. a) **Circumstances that would make a business prefer a private warehouse to a public warehouse.**
- Where the firm/business wants to cut down /reduce cost of hiring space in other warehouses/public warehouses
 - Where the business wants to exercise control over the operations of its warehouses/stock
 - Where it requires to store specialized goods that need special attention not found in public warehouse
 - Where the business wants to avoid delay in the clearance//release of goods from the hired/public warehouse
 - Where there is need to prepare their own goods for sale to meet required standards in the market
 - Where there is need to stock more goods than can be accepted in a public warehouse because of sharing space

5 well explained@ 2 marks=10 marks

No splitting

b)

KAMAU TRADERS

TRADING ,PROFIT AND LOSS ACCOUNT

DR		FOR THE YEAR ENDED 31 ST DECEMBER 2013		CR	
OPENING STOCK	120000	sales	1300000		
ADD: PURCHASES	720000	less return inwards	(100000)		
LESS RETURN OUTWARDS	(15000)	turnover	<u>1200000</u>		
GOODS AVAILABLE FOR SALE	825000				
LESS CLOSING STOCK	(75000)				
COST OF SALES	750000				
GROSS PROFIT C/d	<u>450000</u>				
	<u>1200000</u>				
Expenses					
Carriage on sale	30000	gross profit b/d	450000		
Discount allowed	10000	interest receivable	2600		
© 2025 end of term 1 exam		Business Studies 565/2	Turn Over		

Rent and rates	49600	
Salarys	156000	
Netprofit c/d	<u>207000</u>	
	<u>452600</u>	<u>452600</u>

5. a) **Role of the stock exchange**

- Provides a ready market for those willing to buy and sell shares
- Enables companies to raise capital for their Business Activities
- Mobilises savings for investment. This promotes economic growth.
- Fixes prices for shares. Sets daily prices of the quoted company stocks.
- Providing the means by which the countries economic growth can be measured
- Promotes the culture of savings
- Influencing better management of companies by setting standards of performance which quoted companies are expected to maintain
- Publishing important statistical data which helps quoted companies to evaluate themselves against other similar businesses.

5x2=10mks

b) **Reasons for existence of small firms**

- i) The size of the market/the extent of the market for goods/services. Where the demand for the product is small/small market
- ii) Nature of the product. Where the nature of the product dictates the size of the market e.g personal services like hair dressing
- iii) Flexibility. Where the owner of the firm wishes to maintain flexibility so as to take advantage of new opportunities
- iv) Quick/fast decision making. To avoid delay in decision making
- v) To avoid rising cost of product. Where the cost of production is rising too fast, a firm remains small to avoid high costs
- vi) Legal constraints. Where the law restricts the growth of a firm, the firm remains small
- vii) Avoid diseconomies of scale associated with large scale operations
- viii) Owners decision to remain small. There will be no option but to remain small

5 well explained@ 2 marks=10 marks

6. a) **Explain five negative consequences of a rapidly increasing population.** (10 marks)

- i) **Dependency burden:** When increase of population is caused by new births and elderly people living longer, a big proportion of population is to be supported by the few working adults.
- ii) **Low living standards:** The standard of living usually decline because of the level of savings declining.
- iii) **Unemployment:** With rapid increase in population, the majority of the people are young and therefore dependants.
- iv) **Social problems:** Due to overcrowding in the residential areas which is caused by a rapid increase in population, social problems such as housing, pollution, crime

- e.t.c.
- v) Food shortages: Population increase can outdo the rate of food production.
 - vi) Strain on social amenities: Rapid population growth creates strain on social facilities e.g. schools, hospitals e.tc.

(Any 5x2= 10 marks)

b) Explain *five* ways in which the internal Business environment may positively influence Business activities. (10 marks)

- i. availability of adequate finance
- ii. availability of appropriate technology
- iii. availability of appropriate of business culture
- iv. availability of appropriate of physical resource
- v. availability of appropriate of human resource
- vi. availability of appropriate of positive business culture
- vii. availability of appropriate /good decision makers /owners

Stating 1 mark

Explanation 1 mark

Otherwise 5 well explained @2 marks=10 marks

