

**BUSINESS STUDIES
MARKING SCHEME
OPENER EXAM
TERM 1 2025
FORM TWO**

1. Highlight four reasons why a cheque may be dishonored (4 Marks)

- Insufficient funds in the account
- Post dated cheque
- Stale cheque
- If the bank learns about death, bankruptcy or insanity of the account holder

2. Indicate the form of external environmental factor described by the statement below. (4 marks)

Description	External environmental factor
Introduction of a law banning use of polythene bags	Legal political
Religious sect that is against medicine	cultural
Construction of the Standard Gauge Railway	technological
Price wars between Navies and Quickmatt supermarkets	competitive

5. Outline the procedure followed in personal selling (5marks)

- Identifying prospective customers
- Preparing the present tatio9n
- Establishing customer contacts
- Arousing interest in the product
- Dealing with objections
- Closing the sale
- After sales services

6. State four circumstances under which one will prefer to be paid by cash rather than by cheque. (4 Marks)

- Where small amount of cash is involved
- Where there is need to avoid charges associated with other means
- Where is the only means available
- Where is the policy of the business

7. Give four circumstances in which downward communication is used. (4 marks)

- When training the juniors
- When evaluating performance
- When delegating duties
- When solving any problems facing workers

8. Outline four principles of insurance. (4 Marks)

- Insurance interest
- Uberrima fides
- Indemnity
- Proximate cause
- subrogation

9. Highlight four ways in which the Kenyan government creates a conducive business environment. (4 Marks)

- subsidies
- incentives
- protection
- loan guarantee

10. Outline four reasons why consumers must make a choice when satisfying their wants (4 marks)

- due to many wants
- limited resources
- conflicting wants
- repetitive nature of wants
- some wants are more urgent
- habits formed from satisfaction of human wants

11. Identify the level of production described by each of the following information. (4marks)

DESCRIPTION	LEVEL OF PRODUCTION
Mrs. Orioto counseling form four students	tertiary
Jubilee insurance company selling their policies	tertiary
A carpenter making dining tables	secondary
A farmer harvesting his potatoes	primary

12. Outline four roles played by the Nairobi Securities Exchange (NSE) market in Kenyan

Economy (4 Marks)

- Facilitates buying of shares
- Facilitates selling of shares
- Provides useful information
- Fixing of prices

13. Outline the procedure involved in making an insurance claim. (5 mks)

- Notifying the insurer
- Filing a claim form
- Investigation of the claim
- Preparation for the assessment report
- Payment of the claim

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