

BUSINESS STUDIES

FORM: 2

TERM 2 2025

OPENER EXAMINATION

MARKING SCHEME

SECTION A

Answer all the questions in this section

1. Define the following terms (4marks)
 - i) Consumption
Refers to the usage of a good or service
 - ii) Entrepreneurship
The process of identifying a business opportunity and acquiring the necessary resources to start and run business.
 - iii) Distribution
Movement of goods and services from producers to the users
 - iv) Production
Creation of goods and services or increasing their usefulness
2. State four types of business resources (4marks)
 - i) **Human resource**
 - ii) **Financial resource**
 - iii) **Physical resource**
 - iv) **Technology resource**
3. Highlight four characteristics of services (4marks)
 - i) **Are intangible**
 - ii) **Cannot be stored**
 - iii) **Quality cannot be standardized**
 - iv) **Inseparable from the provider**
 - v) **Cannot be seen**
4. Give four conditions that can create a market gap (4marks)
 - i) **Inavailability of products**
 - ii) **Poor quality products**
 - iii) **Insufficient quantities**
 - iv) **Unaffordable prices**
 - v) **Poor services**
5. Highlight four duties carried out in an office (4marks)

- i) Receiving and recording information
- ii) Distribution/dissemination of information
- iii) Mailing
- iv) Reproduction of documents
- v) Safeguarding and controlling of organizations property
- vi) Communication
- vii) Filling

6. Highlight four reasons why a cheque may be dishonoured (4marks)

- i) Insufficient fund in the account
- ii) Difference signature of the accountholder from the specimen in the bank
- iii) When the cheque is post-dated
- iv) If the drawer/account holder has closed his/her account with the bank
- v) Death, bankruptcy or insanity of the account holder
- vi) Altered cheque not signed against the alteration

7. List the circumstances under which cash payment is appropriate

- i) Where the amount involved is small
- ii) Where the payee does not accept other means of payment
- iii) Where cash is the only means available
- iv) Where the payee requires cash urgently
- v) Where there is need to avoid expense e.g. transaction cost

8. Give the difference between hire purchase and credit purchase (4marks)

Hire Purchase	Credit Purchase
Buyer does not become the owner of goods on taking their possession	Buyer become the owner of the goods on taking their possession
Buyer cannot resell the goods	Buyer can resell the goods
Price usually hire than credit purchase price	Price usually lower than hire purchase price
Goods can be purchased when the buyer defaults payment	Goods cannot be repossessed when the buyer default payment but the buyer can be sued.

9. Highlight four circumstances under which a sole proprietorship may be dissolved (4marks)

- i) If the owner decides to dissolve the business
- ii) In case of death, insanity or bankruptcy of the owner
- iii) Where the intended purpose is complete
- iv) Where the court orders the business to be dissolved

10. List the four criteria of classifying partners (4marks)

- i) Role played by the partners
- ii) Liabilities of the partners for the business debts
- iii) Ages of partners
- iv) Capital contribution

SECTION B

Answer only one Question in the section

11. Explain five principles of Insurance

- i) Voluntary and open membership
- ii) Democratic administration
- iii) Limited interest on share capital
- iv) Co-operation with other cooperatives
- v) Promotion of education to members
- vi) Provision of dividends to members

Any five answers well explained (5x2) = 10mks

12. Explain any five sources of capital for a partnership

- i) Loans from banks and other financial institutions eg K.E
- ii) Getting items on hire purchase – to pay in instalments
- iii) Trade credit – buying goods credit to pay at a future date
- iv) Ploughing back profit – part of profit made retained in the business
- v) Leasing and renting property of the business to other to use and pay for usage.

