

BUSINESS STUDIES

FORM TWO

END TERM 2 EXAMINATION

JULY/AUGUST 2025

MARKING SCHEME

1. Outline four sources of business ideas. 4mks
 - **Newspapers and magazines**
 - **Waste products**
 - **Shows and exhibitions**
 - **Listening to what people say**
 - **Spotting the market gap.**
2. Give four clauses found in the memorandum of association. 4mks
 - **Capital clause**
 - **Liability clause**
 - **Name clause**
 - **Situation clause**
 - **Objective clause.**
3. Outline four reasons that would make an individual engage in business. 4mks
 - **To earn profit**
 - **To make use of spare time**
 - **To be an own boss**
 - **To utilize extra income**
 - **To provide special services e.g. nursing**
4. State four external factors that may negatively affect the operations of a business. 4mks
 - **Unfair competition**
 - **Unstable political environment**
 - **Unfavorable legal framework**
 - **Unstable economic environment**
 - **Poor infrastructure**
 - **Low population level**
5. Outline four circumstances under which partnership may be dissolved. 4mks
 - **Mutual agreement among the partners**
 - **In case of court order**

- **Where there is continued disagreement**
 - **In case of death of one of the partner**
 - **In case of temporary partnership where period of operation comes to end.**
 - **In case of a request by an partner in writing to end the partnership.**
6. Outline four malpractices by traders against which consumers may need protection by the government. 4mks
- **Overpricing of goods**
 - **Selling underweight goods**
 - **False advertising**
 - **Unsafe building**
 - **Shelling of harmful goods**
 - **Unhygienic conditions.**
7. State four benefits that a farmer may derive from being a member of a producer cooperative society. 4mks
- **Farm inputs at fair prices.**
 - **Obtaining better prices for their members produce**
 - **May get transport facilities for produce to the market.**
 - **May receive farm inputs on credit.**
 - **May get better storage facilities for their members produce.**
8. Outline five documents required by registrar of companies in order to register a public company. 5mks
- **Articles of association**
 - **Memorandum of association**
 - **List of directors**
 - **Declaration of compliance**
 - **Statement signed by directors.**
9. Outline four importance of effective filing system in an office. 4mks
- **Ensure tidiness in the office**
 - **Quick access of information**
 - **Safety of information from damage by bad weather, fire e.t.**
 - **saves on storage space since documents are kept in compact.**
 - **Safeguard secret and confidential information as documents are kept away from unauthorized persons**
10. Outline four benefits of a business plan to an entrepreneur. 4mks
- **To avoid mistakes**
 - **Proper allocation of resources**

- **As tool for evaluating business performance**
- **It is used as a motivational tool.**
- **It is required by financiers before advancing credit .**

11. Highlight four small scale retail businesses that one can run without a shop. 4mks

- **Hawking**
- **Roadside selling**
- **Open air marketing**
- **On line selling**
- **Automatic vending machine.**

12. Outline four features of land as a factor of production. 4mks

- **It is a natural resource**
- **It is a basic factor of production**
- **Lacks geographical mobility.**
- **It is subject to the law of diminishing returns.**
- **Its productivity can be varied by varying the quality and quantity of inputs.**

13. State four functions of commercial attaches. 4mks

- **Educating and advising exporters on trade regulation in other countries**
- **Organizing trade fairs and exhibitions of local goods in foreign countries.**
- **Developing bilateral and multilateral trade agreement**
- **Select buyers, agents, and distributors of home country's exports.**
- **Expansion and diversification of foreign markets**

14. Highlight four characteristics of economic resources. 4mks

- **Scarce in supply**
- **Have money value**
- **Are unevenly distributed**
- **Have alternative uses**
- **Can change ownership**
- **They are complimentary**

15. State four reasons why a new business may fail. 4mks

- **Stiff competition**
- **Inadequate management skills.**
- **Poor marketing strategies**
- **Political instability or insecurity**
- **Poor customer relations**
- **Misallocation of resources leading to wastage.**

16. Outline four roles played by the Nairobi securities exchange in the Kenyan economy. 5mks

- **Measure of country's economic growth.**
- **Safeguards investors interests**
- **Promotes savings and investments among the citizens**
- **Provides revenue to the government in form of taxes**
- **Creation of employment.**

17. Outline four essentials of transport. 4mks

- **Unit of carriage**
- **method of propulsion**
- **ways**
- **terminals**

