**Term 1 – 2025**

**MID TERM EXAM**

**BUSINESS STUDIES**

**FORM TWO (2)**

**Time: 2 Hours**

**MARKING SCHEME**

1. In the spaces provided below, indicate the type of utility created by each of the following commercial activities.[4marks]

|  |  |
| --- | --- |
| **Commercial activity** | **Type of utility** |
| 1. Selling goods to customer. | ***Possession*** |
| 1. Transporting goods. | ***Place*** |
| 1. Storekeeping. | ***Time*** |
| 1. Making a chair. | ***Form*** |

1. Outline four differences between a good and a service.[4marks]

|  |  |
| --- | --- |
| **Goods** | **Service** |
| 1. ***Tangibe*** | ***Intangible*** |
| 1. ***Quality can be standardized*** | ***Quality cannot be standardized*** |
| 1. ***Can change possession*** | ***Inseparable from the provider*** |
| 1. ***Some are durable and others are perishable*** | ***Highly perishable*** |
| 1. Value can change over time | Value cannot change since they cannot be stored |

1. State four advantages of division of labour. [4marks]

* ***Development of individual skills.***
* ***Increased output.***
* ***Production of standardized goods.***
* ***Maximum use of machinery.***
* ***Development of new talents.***
* ***Encourages invention/innovation.***
* ***Saves time.***
* ***Less use of mental and physical effort.***
* ***High quality goods/services produced /offered.***
* ***Increases employment opportunities.***
* ***Reduces training time.***
* ***Facilitates planning and management.***

1. Outline four features of economic resources. [4marks]

* ***Scarcity. They are found in small quantities compared to the many uses into which they have to be put and hence not sufficient to satisfy all human wants.***
* ***Monetary Value. They have a price attached to them which have to be paid for their use.***
* ***Uneven distribution. They are not distributed uniformly in society, hence some people, regions or countries have more of the resources than others.***
* ***Combinability. They can be used in different proportions to produce goods and services.***
* ***Usefulness. They are used to satisfy human wants (have utility).***
* ***Transferability. They may be transferred from one person to another in terms of owners***

1. Outline four features of indirect production. [4marks]

* ***Goods are produced for sale.***
* ***Goods are produced in large quantities.***
* ***There is specialization in production.***
* ***High quality goods are produced.***
* ***Modem technology is extensively used.***
* ***Promotes interdependence.***

1. Highlight four benefits of a business plan to an entrepreneur. [4marks]

* ***Facilitates acquisition of loans from financial institutions and other financiers***
* ***Provides guidance for opening new or expanding existing business /adaptability***
* ***It acts as a management tool for the business / monitoring tool / identifies strengths***
* ***It’s a tool for evaluating business performance***
* ***It lays the strategy to be used in marketing the products***
* ***It enhances the credibility of the business***
* ***It’s a motivational tool***
* ***To avoid mistakes***
* ***Proper allocation of resources***
* ***To determine how much resources are required e.g. labour, capital etc. /source of capital***
* ***Will help to identify the nature and scope of the market.***

1. State four characteristics of a successful entrepreneur. [4marks]

* ***Desire to achieve****-  
  An entrepreneur is a person who wishes to excel and has the drive to succeed while competing with others. He/she always tries to accomplish something new.*
* ***Ability to solve problems****-  
  An entrepreneur is expected to struggle with determination to get solutions even under difficult situation so that the business can succeed.*
* ***Risk taker****-  
  Entrepreneurs take viable business ventures even when they are not sure of the returns. They assess situations and take calculated risks.*
* ***Initiative****–  
  An entrepreneur should be aggressive in implementing ideas well ahead of other businesses so that he/she can be ahead of them.*
* ***Time consciousness****-  
  An entrepreneur should be able to use time wisely and avoid wasting it. A wise and quickly implemented decision may mean success in business whereas time lost may mean failure.*
* ***Creativity and innovation****-  
  An entrepreneur should be able to generate new ideas as well as think of the best ways of putting them into practice.*
* ***Independence and self-confidence****-  
  Entrepreneurs are their own bosses and should believe in their ability to do things and succeed.*
* ***Persistence and patience****-  
  An entrepreneur should not give up when challenges arise. Sometimes, he/she takes time and make a repeated action or adopts a different course of action in order to overcome such challenges so as to reach the target*
* ***Decisive****-  
  Entrepreneurs have strong problem, solving and decision making skills. The business environment is such that decision has to be made quickly to respond to any situation that may arise.*
* ***Persuasive****-  
  Convincing people to believe in their ideas and buy their products keeps entrepreneurs in business*
* ***Goal-oriented****-  
  Entrepreneurs are achievers who work towards set goals. They continually monitor progress to determine whether they are achieving the goals they have set and where improvements need to be made.*
* ***Seek information****-  
  Entrepreneurs use various methods to get the relevant information that is necessary for the success of the business.*
* ***Concern for high quality products****-  
  An entrepreneur should strive to cope or beat the existing standards of quality. This will enable him/her succeed in a competitive market.*
* ***Commitment to work****-  
  An entrepreneur places priority on getting tasks accomplished. To achieve this he/she may make extra ordinary personal sacrifice e.g. working until very late.*
* ***Concern for customer satisfaction****-  
  An entrepreneur should ensure that customers are satisfied so as to continue being/remain loyal to the business.*
* ***Desire to feedback****-  
  ​An entrepreneur should be interested in knowing how the business is performing.*

1. State four ways in which a good filing system may facilitate the operations in an office.[4marks]

* ***Protection of Documents – Documents are protected from physical loss and landing into unauthorized hands***
* ***Make the office tidy – It aids in office tidiness and efficiency***
* ***Aid to memory – it assist in making future reference when are forgotten***
* ***Kept Documents neat & tidy – Filling prevent document from being disorganized and make it remain neat***
* ***Systematic store of information – It ensures that the information is arranged in order thus ensuring easy retrieval***

1. State four functions of an office. [4marks]

* ***Receiving and sending out information.***
* ***Sorting and dissemination of information/information is sorted out and passed on to the relevant members of staff.***
* ***Storing of information e.g in files, computer disks and other storage devices.***
* ***Reproduction of documents e.g printing, photocopying and duplication.***
* ***Safeguarding the organization’s property and recording its movement and usage.***

1. Highlight four features of a private limited company. [4marks]

* ***Must have at least one director.***
* ***Shares not freely transferable.***
* ***Public not allowed to subscribe for shares/ shares not advertised, /no prospectus needed.***
* ***Has a minimum membership of two shareholders.***
* ***Can start trading on receipt of a certificate of incorporation.***
* ***Does not need to have the authorized minimum share capital before commencing operation.***

1. State four advantages of operating a partnership form of business. [4marks]

* ***There is possibility of raising more capital***
* ***Partners bring in different talents and skills/ specialization***
* ***Partners can share the work load***
* ***Where losses occur, partners share them***
* ***Decisions are discussed by partners before implementation/ better decision***
* ***Few legal requirements/easier to start***

1. Outline four sources of finance for a public limited company. [4marks]

* ***Borrowing from financial institutions in the form of loans, bank overdraft and mortgage.***
* ***Trade credit.   
  Buying goods for re-sale on credit so as to pay at a later date***
* ***Hire purchase.  
  Buying goods and paying for them on installment basis.***
* ***Debentures.  
  Borrowing from members of the public for which interest is paid at a fixed rate and over a predetermined period of time.***
* ***Sale and leaseback.  
  Selling an asset like a building and then hiring it back for a specified period of time.***
* ***Retained profits.  
  Profits made are not shared out as dividends but ploughed back into the business.***
* ***Discounting bills of exchange.  
  Receiving payment from financial institutions at a discount against bills of exchange before their maturity.***
* ***Use of reserves / provisions.  
  The company may make use of funds set aside for depreciation, tax and bad debts to finance its day to day operations.***

1. State four clauses found in the memorandum of association. [4marks]

* ***Capital clause***
* ***Liability clause***
* ***Situation clause***
* ***Name clause***
* ***Association and Subscriptions Clause.***
* ***The Objects Clause.***

1. State four benefits that a farmer may derive from being a member of a producer co-operative society.[4marks]

* ***May receive inputs e.g. fertilizer at fair prices.***
* ***The society may get better prices for the member’s produce.***
* ***May get transport facilities for produce to the market.***
* ***May get better storage facilities for the produce.***
* ***The society may grade, package and process the produce for the member.***
* ***May receive input on credit from the society.***
* ***Can acquire skills on better methods of production***.
* ***May get dividends earned on shares held.***

1. Outline four duties of a commercial attaché. [4marks]

* ***Publish and advertise their country’s exports in business journals and magazines.***
* ***Select buyers, agents and distributors of the home country’s exports.***
* ***Explore and identify new markets for more exports opportunities.***
* ***Research and analyze markets for exports from their home countries.***
* ***Keep statistics of products such as volume s, packaging sizes and methods of manufacturing.***
* ***Assist sales missions from home countries by organizing educational tours for them.***
* ***Inform traders in their home countries of standards required for exports.***

1. Outline four methods that the government of Kenya uses to regulate business activities.[4marks]

* ***Licensing business activities***
* ***Setting of standards***
* ***Formulating of policies — enacting laws / legislation***
* ***Setting quotas***
* ***Enforcement of laws***
* ***Imposing total ban***
* ***Subsidizing businesses***
* ***Taxation***
* ***Price control***

1. Highlight four advantages of government involvement in business. [4marks]

* ***Provision of essential services / goods for fair / reasonable prices /affordable.***
* ***Provision of large capital investment/ undertake ventures that require large sums — which private sectors may not be able to raise / without which development would be minimal.***
* ***Protection of citizens / to protect citizens from exploitation / malpractices by business.***
* ***Stimulation of economic development by developing social amenities / infrastructure / roads / injecting funds into the economy / through development projects.***
* ***Creation of employment / to create jobs (for its citizens) to earn a living / improve standards of lung.***
* ***Income generation / to generate government revenue through taxation / activities.***
* ***Stabilization of the economy — through regulation / market intervention.***
* ***Promote equity / fairness in distribution of resources***
* ***Control use of resources — through conservation / legislative measures / ensure their sustainability.***
* ***Maintenance of law / order — which allows for smooth operations (of country’s affairs).***
* ***Promotion of best practices through encouraging adoption of ICT/ good governance / social programmes / exclusivity.***
* ***Promoting a country’s identity / image - through cultural programmes / branding initiatives / participation in international competition / fairs.***
* ***Reduce foreign dominance / promote a country’s sovereignty by regulating foreign participation / encouraging local participation in the economy.***
* ***Promotion of entrepreneurship cultures by encouraging business ownership / training / funding businesses.***
* ***Promotes investment in the country by creating enabling environment.***

1. Outline four roles of stock exchange in the economy. [4marks]

* ***Buying and selling of shares.***
* ***Mobilising savings for investment.***
* ***Listing of companies.***
* ***Issuing of new securities / raising capital.***
* ***Publication of statistical information.***
* ***Advising investors.***

1. Outline four ways in which the government would create an enabling environment for business operations.[4marks]

* ***Provision of credit facilities at favourable rates.***
* ***Ensuring political stability and good will.***
* ***Training and educating the population to create a pool of skilled manpower.***
* ***Marketing of final products for producers.***
* ***Provision of essential social amenities like water and sewerage, health and education.***
* ***Favourable policies and easy procedures like licensing, subsidies and favourable taxation.***
* ***Provision of infrastructure***

1. Highlight four ways in which a consumer may be exploited. [4marks]

* ***Using false weights and measures.***
* ***Bad service after the sales is done by the shopkeeper.***
* ***Selling of poor quality goods***
* ***Selling harmful goods***
* ***Breach of contract***

1. Distinguish between the following trends as used in forms of business units.
2. Absorptions and mergers. [2marks]

***Merger is the combining of two or more companies into a single new entity, while absorption is the merger of one company into another, where the absorbing company retains its identity and the absorbed company ceases to exist***

1. Cartels and franchising. [2marks]

***A cartel is an association of manufacturers or suppliers with the purpose of maintaining prices at a high level and restricting competition while franchising* is an arrangement where franchisor (one party) grants or licenses some rights and authorities to franchisee (another party)**

1. The following are some of the documents used in home trade; invoice, statement of account, catalogue and cash sale slip. Match each document with the appropriate description provided in the table below.[4marks]

|  |  |
| --- | --- |
| **Description** | **Document** |
| 1. Shows details of goods offered for sale. | ***Catalogue*** |
| 1. Gives quantity, unit price and total amount to be paid. | ***Invoice*** |
| 1. Shows transactions since the last date of payment. | ***Statement of account*** |
| 1. Shows description of goods bought prices and total amount. | ***Receipt*** |

1. Identify the types of wholesalers described in the statement given below.[4marks

|  |  |
| --- | --- |
| **Statement.** | **Type Of Wholesaler.** |
| 1. A wholesaler who trades in maize grain only. | ***Specialized*** |
| 1. A wholesaler who supplies goods to most of the traders in Kitui, Mbooni and Machakos districts in the Eastern parts of Kenya. | ***Regional*** |
| 1. A wholesaler who buys potatoes from farmers in rural areas and sells the same to other wholesalers in urban areas. | ***Rack jobbers*** |
| 1. A wholesaler who trades in wide variety of human medicine. | ***General line*** |

1. Highlight four circumstances in which a cheque maybe used as a means of payment.[4marks]

* ***When the amounts involved in the transaction are high.***
* ***When the seller insists on payment by cheque.***
* ***When evidence of payment is required.***
* ***When payment is to be directed into the payee ‘s account.***
* ***When the tenus of sale is cash with order.***
* ***When there is need to ensure safety of the money being transferred.***

1. On 2nd November 2006 Oromo received an invoice for sh.12,000. Terms of payment were trade discount 5 % and cash discount 10 % if payment is made within 30 days. Determine the amount paid if payment was made on 28th November 2006. [4marks]

***5% x 12000 = 600***

***12000-600 = 11,400***

***10% x11,400 = 1140***

***11400 – 1140 = 10,260***