**Term 1 - 2025**

**BUSINESS STUDIES**

**FORM TWO CAT**

**Time: 2 Hours**

**MARKING SCHEME**

**1. Areas of study that constitute business studies**

a) Accounting (**reject account, accounts etc.**)

b) Commerce

c) Economics (**reject economic, economy, economies etc.**)

d) Entrepreneurship (**reject entrepreneur etc.**)

e) Office practice

**2. Reasons why business studies is being taught to all form one students**

1. Assists the learner to understand other subjects better e.g., mathematics, agriculture etc.
2. Provides basic knowledge to facilitate further studies in Business studies.
3. Equips the learner with knowledge and skills that can enable him/her start and run a business
4. Enables the learner to appreciate the importance of business in the society
5. Assist the learner to develop the ability to inquire, think critically and develop rational judgement.
6. Enables the learner to appreciate the importance of ethical practices and efficient business management.
7. Enables the learner to acquire self-discipline and a positive attitude towards work.
8. Assists the learner in enhancing cooperation and interrelation in society through trade
9. Enables the learner to understand the role played by the government in business
10. Enables the learner to appreciate the role played by communication and information technology in modern business management.
11. Helps the learner develop positive environmental and healthy practices.
12. Equips the learner with skills and knowledge to enable him/her evaluate business performance.
13. Enables the learner to appreciate the basic economic issues in the society
14. Enables the learner to appreciate the role of aids to trade (auxiliary services) in business
15. Enables the learner to appreciate the role market forces (demand and supply) in determining the price of goods and services
16. Enables the learner to relate the knowledge, skills and attitudes acquired to the day-to-day business activities around the school and to society in general.
17. Enables the learner to appreciate the role of business in the provision of goods and services.
18. Enables learners and members of society to appreciate the need for good business management practices.

**3. Reasons for starting a business**

* To earn profit.
* To create employment
* To provide goods and services
* To be own boss
* To make use of extra resources.
* To make use of spare time or free time.
* As an outlet to creativity and innovations
* To exploit individual talents
* To dispose off surplus products which may considered a waste

**4. External factors that may negatively affect business operations**

* Political instability – riots and boycotts
* Poor climatic conditions
* Bad governance
* Negative social cultural influence
* Unfair competition.
* Use of obsolete technology
* Reduction in population
* Worsening of economic environment like inflation
* Failure to respond to customer’s tastes.
* Poor relationship with suppliers

5.

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Activity** | **Business** | **Non-business** |
| a) | Catching fish in a lake for family lunch |  |  |
| b) | Selling goods in a shop |  |  |
| c) | Making mandazi for own breakfast |  |  |
| d) | Teaching students in a classroom |  |  |

**6. Factors which constitute internal environment.**

* Business culture
* Business owners
* Business resources
* Business structure

7.

|  |  |  |
| --- | --- | --- |
| **No.** | **Occupation** | **Type of business activity** |
| a) | Quarrying | **Extraction** |
| b) | Vehicle assembly | **Construction** |
| c) | Driving | **Provision of services** |
| d) | Hawking | **Trade** |

8.

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| --- | --- | --- |
| **No.** | **Forms of competition** | **Example** |
| a) | Generic Competition – different good serving same purpose | Adhesive tape and glue stick, tea and coffee, soda and juice |
| b) | Enterprise competition – similar goods | Radio stations, tv stations, shoe selling businesses |

9.

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Feature** |
| a) | A person is unable to fully satisfy all wants | They are insatiable |
| b) | Once satisfied, they have a tendency of being felt again | They are recurrent |
| c) | Some wants are satisfied together | They are complimentary |
| d) | The same want can be satisfied using different resources | Require resources |

**10. Characteristics of goods**

* They are tangible
* Goods are not always perishable.
* Quality can be standardized.
* They have money value
* They can change ownership
* They can be stored for future use.

**11. Reasons for satisfying basic wants first before secondary wants**

* Basic wants are essential for survival
* Resources are limited therefore choice has to be made
* Basic wants cannot be postponed without dire consequences
* They are felt needs thus should be satisfied first.

**12. Characteristics of economic resources**

* They are scarce.
* They have money value.
* They have alternative uses.
* They can be combined with others to produce another.
* They have utility.
* They are transferable from one person to another.

**13. Characteristics of subsistence production.**

* Production is carried out on small scale.
* Production if for own consumption/use
* There is no specialization.
* Production is not for sale.
* Uses simple methods of production.
* Low quality goods are produced.
* Low quantity goods are produced.

**14. Advantages of commercial production**

* Leads to creation of employment.
* Generate revenue for business owners through sale of surplus goods.
* Raises revenue for the government through taxation.
* Raises standards of living of people through variety of goods and services
* Promote development of advanced technology.
* Leads to effective utilization of economic resources.
* It encourages creativity and innovation.

15.

|  |  |  |
| --- | --- | --- |
|  | **Description** | **Type of utility** |
| a) | Your parent bought you a business studies text book from a bookshop | **Possession utility** |
| b) | Your grandmother kept her harvest of groundnuts in her granary | **Time utility** |
| c) | Loaves of bread brought to school by van | **Place utility** |
| d) | The carpenter made desks and chairs for students | **Form utility** |

**16. Factors of production and their rewards**

|  |  |  |
| --- | --- | --- |
|  | **Factor of production** | **Reward** |
| a) | Land | Rent/rates/royalties |
| b) | Labour | Salaries/wages/commission/fees |
| c) | Capital | Interest |
| d) | Entrepreneurship | Profit |

(any 3 correctly matched x 2 = 6 marks)