**BUSINESS STUDIES**

**FORM 2**

**END OF TERM 1 2025**

**MARKING SCHEME**

1. State four areas of study covered in business. (4mks)

1. **Commerce**
2. **Accounting**
3. **Economics**
4. **Office practice**
5. **Entrepreneurship**

2. Outline four purpose of a business. (4mks)

1. **To make profit**
2. **To serve the community**
3. **To enhance the image of the image of the owner (prestige)**
4. **To create employment / occupation**
5. **As a hobby**
6. **To spread risks (portfolio)**

3. Outline ways in which political stability in a country is of benefit to business. (4mks)

1. **It should achieve its set goals such as production and sales easily**
2. **The cost of doing business would below**
3. **It would access market easily**
4. **It would easily access capital for its expansion**
5. **Its production activities would not be disrupted.**
6. **It would access raw materials with ease**
7. **It would attract the kind of labour it requires with ease**
8. **The general security of the business**

4. State four reasons why consumers have to make a choice between competing needs. (4mks)

**i) Due to unlimited needs of the consumer**

**ii) Due to different tastes or preferences of the consumer.**

**iii) Due to government policy on goods or restrictions through total ban e.t.c**

**iv) Due to different prices of goods**

**v) Unlimited resources or income**

6. Outline four features of a bonded warehouse. (4mks)

**i) Goods are bonded till customs duties are paid**

**ii) Goods can be re-exported while in the bonded warehouse**

**iii)Goods are released only on the production of a release warrant**

**iv) Goodscan be sold while still under bond**

**v) Goods may be prepared for sale while in bond**

**vi) Charges are made on all goods stored in them**

**vii) Goods are guarded by customs officials.**

7. State the factors that determine the period for which documents should be stored. (4mks)

**i) Availability of storage space**

**ii) Cost of storage**

**iii) Need for future reference**

**iv) Purpose of the documents**

**v) Nature of information contained in the documents**

8. Highlight the current trend in communication. (4mks)

**i) Rapid popularity of mobile phones**

**ii) Use of internet as a means of communication**

**iii) Use of fax**

**iv) Use of Electronic Mail**

**v) Phasing away of fixed line phones (going wireless)**

**vi) Use of prepaid calling cards.**

9. Wekesa has a consignment of maize to transport from Kitale to Nairobi. Outline the disadvantages/ problems he might encounter by transporting the maize by road other than by rail. (4mks)

**i) He would require a number of lories which would be more expensive.**

**ii) Lorries are more prone to highway theft and bandit attack than trains**

**iii) The probability of occurrence of accidents is high on the road than on rail.**

**iv) Some roads may be impassable during adverse weather conditions**

**v) The cargo may be delayed due to traffic jam in major towns/ cities.**

10. State four ways in which manufacturers can enhance consumer protection.

**i) Indicating the proper expiry dates on their goods.**

**ii) Indicating the ingredients used in the manufacture of their goods**

**iii) By indicating the recommended retail price on the packets**

**iv) BY indicating any side effects that a consumer may experience after consuming their products/ correct product description e.g drowsiness.**

**v) By ensuring that their products are safe for human/ animal consumption**

**vi) By not whipping consumers emotions during advertising**

**vii) Ensuring that their agents and distributors are ethical when dealing with consumers.**

**viii) By ensuring that their products or their packages do not litter the environment e.g plastic bags**

11. Highlight four features of land as a factor of production. (4mks)

**i) It is geographically immobile**

**ii) It is a basic factor of production**

**iii) It is a natural resource**

**iv) Its productivity can be increased by applying more units of labour and capital**

**v) Its supply is limited i.e cannot be increased**

**vii) It can be put in varied uses, that is, can have more than one use**

12. Identify four resources in your school that facilitate your learning. (4mks)

**i) Textbooks and stationery**

**ii) Time**

**iii) Buildings such as classrooms and dormitories**

**iv) Personnels such as teaching and non-teaching staff**

**v) Equipment such as laboratories, balls e.t.c**

**vi) School bus (if any)**

13. Outline what a business should do to uphold accepted ethics. (4mks)

**i) Comply with laws and regulations e.g. should be properly registered and licensed**

**ii) Be fair to others -such as employees, government, customers, suppliers and competitors.**

**iii) Be truthful, especially in promotional activities such as advertisement**

**iv) fight all forms of corruption**

**v) To avoid child labour**

**vi) To comply with standards regulations**

**vii) Be fair during procurements/ recruitment of employers, agents and distributors**

**viii) Conserve the environment**

**ix) To avoid any form of discrimination to consumer, clients, supplies e.t.c.**

14. Highlight four characteristics of preference shares. (4mks)

**i) Have a fixed rate of dividends**

**ii) Have no votaing rights**

**iii) Can be redeemable or irredeemable**

**iv) Can be cumulative or non-cumulative**

**v)Holders are paid dividends before ordinary shareholders**

15. in the spaces provided below, state the business document to which each of the following statement relates. (4mks)

|  |  |
| --- | --- |
| Statement |  |
| i) Informs the buyer when goods were dispatched and by what means | **Advice note** |
| ii) A request by the seller for payment in advance | **Pro-forma** |
| iii) Used to correct an undercharge in an office | **Debit note** |
| iv) Shows details of the transaction between a seller and a buyer during a given period. | **Statement of account** |

16. Elaborate five features that differentiate a public limited company from a partnership form. (4mks)

|  |  |
| --- | --- |
| **Public Limited Company** | **partnership** |
| **i) Membership (shareholder) minimum of 7 people** | **i) Member (partners) minimum of 2** |
| **ii) Members have limited liability** | **ii) No have limited liability for members or atleast one partner has unlimited** |
| **iii) Capital is raised from sale of shares to the general public** | **iii) Capital is raised from members contribution** |
| **iv) Owned by shareholders** | **iv) owned by partners** |
| **v) No maximum membership** | **vi) Maximum of 20 or 50 for professional and 10 for bankers** |
| **vii) Has perpetual continuity. Death or insanity or departure (withdrawal) of shareholder does not affect the business** | **vii) Has no perpetual continuity. It is affected by death or insanity or departure of a shareholder** |
| **viii) Mandatory by law to publish financial statements or trading results** | **viii) Not mandatory to publishers financial statements or trading results** |
| **x) Books of accounts must be audited by external auditors** | **x) Books of accounts need to be audited by external auditors** |