
FORM TWO TERM ONE EXAMS 2017

MARKING SCHEME **BUSINESS STUDIES** **FORM 2**

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FORM TWO B/S MARKING SCHEME

1. (i) Create employment
- (ii) Utilize resources
- (iii) Improve the living standards
- (iv) Generate income

- v) Utilize free time
- (vi) Provide goods and services.
- (vii) For self activation
- (viii) As a hobby.

2.

	Internal	External
(i) Employees	✓	
(ii) Inflation		✓
(iii) Technology applied		✓
(iv) Invested funds	✓	
(v) Cultural factors		✓
(vi) Tools	✓	
(vii) Entrepreneur	✓	
(viii) Political factors		✓

- 3 (i) Should be polite
- (ii) Should be honest
- (iii) Should be eloquent speaker
- (iv) Should be disciplined
- (v) Loyal
- (vi) Punctuality
- (vii) Respect
- (viii) Accurate
- (viii) Diplomatic.

4. (i) By licensing of business in the country
- (ii) Imposing taxation
- (iii) Setting standards for both locally produced and imported goods
- (iv) Formulation of rules & regulation that must be adhered to in various businesses operations.
- (v) Fixing quotas
- (vi) Imposing total ban on new businesses

5. (i) A consumer has to make a choice.
- (ii) A consumer should have a scale of preference
- (iii) A consumer should use opportunity cost
- (iv) A consumer should conserve resources.

6. (i) Eliminate corruption practices
- (ii) Employing qualified staff
- (iii) Enforcing a law to punish errant staff
- (iv) Motivating staff through better housing, salaries, health facilities.
- (v) Reduce undue influence by the government officials.

7. (i) Presence of good infrastructure /well developed
- (ii) Proper allocation of resources
- (iii) Relevant entrepreneurial skills
- (iv) Use of modern technology
- (v) Availability of market
- (vi) Availability of capital
- (vii) Good customer relations
- (viii) Favourable government policies.
- (ix) Proper time management.

8. (i) Better quality goods
- (ii) A variety of goods
- (iii) Better utilization of resources
- (iv) Create employment opportunities
- (v) Leads to high standards of living
- (vi) Facilitates exchange rate

9. (i) Feedback to the manufacturers or producers is low
- (ii) Increase costs incurred
- (iii) Perishability of perishable goods. Hence low quality.
- (iv) Damage of goods due to over handling
- (v) Delay on delivery of goods.
10. (i) There is no deposit required or down payment before goods are released.
- (ii) Ownership of goods is passed on to the buyer immediately.
- (iii) It is a cheaper method of purchasing.
- (iv) Goods cannot be reposed.
- (v) Goods are released as the customer is the legal owner.
11. (i) The profitability of the business.
- (ii) Availability of the required skills to manage the business
- (iii) Availability of security
- (iv) The level of competition
- (v) The liquidity period /payback period.

12. Ways to be used by an organization to protect its properties and control.

- i) Entrancing security against theft.
- ii) Ensuring physical care by people using the property.
- iii) Keeping records of movement and usage of each of the property.
- iv) Taking insurance cover.
- v) Proper repair servicing and maintenance.

13. Macro – environmental factors that affect business performance.

- i) Economic environment
- ii) Demographic environment.
- iii) Legal political environment.
- iv) Technological environment.
- v) Cultural environment
- vii) Competitive environment.
- viii) Physical environment.

14. Methods the Kenyan government uses in protecting consumers.

- i) Setting up standards.
- ii) Weight and measures act.
- iii) Licenses.
- iv) Food and drugs act.
- v) Sale of goods act.
- vi) Rent and Tribunal Act
- vii) Public health act.

15. Circumstances under which a seller would require a buyer to pay cash with order (C.W.O)

- When the buyer is new to the seller
- When the buyers' credit worthiness is in doubt
- To avoid bad debts
- When the seller is in urgent need of cash
- To avoid expenses in following up debts
- When the policy of the seller is not to advance credit
- Where the seller is operating mail order business

16. Limitations of consumer initiated methods in consumer protection

- Lack of adequate support by government
- Lack of sufficient information from consumers to consumers protection bodies
- Ignorance on the part of consumers about their rights
- Lack of initiative (apathy) on part of consumers
- Lack of capital to sponsor their programmes
- Ignorance on the part of consumers about avenues so follow.

17. Reasons why an office is necessary in any organization

- To facilitate communication
- To safeguard organizations property
- To enhance reproduction of documents
- For administrative purposes
- To link the organization with other organizations such as government

18. Benefits of business ethics

- Creates fairness in competition
- Ensures protection of the environment
- Ensures rights of employees are upheld
- Avoids consumer exploitation.
- Eliminates use of unfair means of achieving the objectives of the business

19. Features of a sole proprietorship form of business organization

- Easy to form
- Enjoy profits alone
- Owned by one person
- Unlimited liabilities
- Quick decision making
- Small capital invested
- Personal contacts to customers
- Uses family labour
- Usually small scale
- No division of labour

20. Causes of business failures

- Insufficient funds – the entrepreneur may underestimate the start up capital and operational capital. When the entrepreneur is unable to access additional finance, the business is likely to fail.
- High interest on loans
- Poor judgments of the market e.g. producing goods not required by the market
- Composition – on entrepreneur who produces products which do not match quality of other existing products may be edged out of the market.
- Poor marketing strategies – If the entrepreneur is not able to make consumers aware of his product, then he is likely to fail due to poor sales
- Poor customer relations
- Poor time management e.g. opening late and closing early.
- Poor pricing practices
- Poor knowledge in book-keeping.
- Poor managerial skills and unqualified staff
- Improper debt management

21. Reasons why a cheque may be dishonoured by a bank

- If the drawer has insufficient funds in his / her account
- If the amount in words differs from the amount in figures
- When the cheque is post – dated i.e. presented for payment before the date written on it.
- When the cheque is stale i.e. presented for payment after the expiry date (normally six months from the date of issue)
- If the signature of the drawer differs from the specimen in the bank
- If the cheque has been altered and the drawer has not signed against alteration
- When the drawer instructs the bank to stop payment
- When the cheque is defaced or mutilated thus rendering the contents illegible
- When the bank learns about the death, insanity or bankruptcy of the drawer.
- If the drawer has closed his / her account with the bank
- If the cheque contains errors which need to be corrected
- When a customer is presenting a crossed cheque to be paid a cross the counter

22. Trade discount = $\frac{20}{100} \times 200,000$

$$= 40,000 \checkmark$$

$$\text{Payment after trade discount} = 200,000 - 40,000 \\ = \text{sh } 160,000 \checkmark$$

$$\text{Cash discount} = \frac{10}{100} \times 160,000$$

$$= \text{sh } 16,000 \checkmark$$

$$\therefore \text{Amount paid by Onyango} = 160,000 - 16,000 \\ = \text{sh } 144,000 \checkmark$$

(4 ticks x 1 = 4mks)

23.Characteristics of Services

- They are intangible
- They are inseparable from those providing them
- Services are highly perishable
- Quality of services cannot be standardized.
- Price paid for services is for experience but not for ownership.

24. Circumstances for issuing a credit note

- If Mueni had been overcharged
- If Mueni had returned some goods due to damage.
- If Mueni was charged for goods not supplied.
- If Mueni returned empty containers whose cost was included in the invoice.
- If Mueni had merited some discounts which was not deducted from the invoice.

25.ways in which consumers may be exploited

- (i)Very high prices for products
- (ii)Inferior quality good
- (iii)Misleading information about a product misleading advertisements.
- (iv)Harmful products
- (v)Hoarding of products
- (vi)Breach of contracts