**BUSINESS STUDIES COMBINED PAPER**

**FORM 2**

**MARCH/APRIL SERIES**

**MARKING SCHEME**

1. State **four** features of sole proprietorship. (4 marks)
* *The business is owned by one person*
* *The capital is contributed by the owner and is usually small.*
* *The owner enjoys all the profits alone and also suffers the losses alone*
* *The owner is personally responsible for the management of the business and sometimes he is assisted by members of his family or a few employees.*
* *The sole proprietor has unlimited liability meaning that incase of failure to meet debts, his creditor can claim his personal property*
* *There are very few legal requirements to start the business unit.*
* *Sole proprietorship is flexible; it is very easy to change the location or the nature of business.*
1. Highlight **four** contents of the partnership deed in business. (4 marks)
* *Name, location and address of the business*
* *Name, address and occupation of the partners*
* *The purpose of the business*
* *Capital to be contributed by cash partner*
* *Rate of interest on capital*
* *Drawings by partners and rate of interest on drawings*
* *Salaries and commissions to partners*
* *Rate of interests on loans from partners to the business*
* *Procedures of dissolving the partnership*
* *Profit and loss sharing ratio*
* *How to admit a new partner*
* *What to do when a partner retires dies or is expelled*
* *The rights to inspect books of accounts*
* *Who has the authority to act on behalf of other partners.*
1. Mention **four** principles of co-operatives. (4 marks)
* *Open and voluntary membership*
* *Democratic administration*
* *Dividend or repayment*
* *Limited interest on share capital*
* *Promotion of Education*
* *Co-operation with other co-operatives*
1. Highlight **four** advantages of private limited company. (4marks)
* *Can be formed more easily than a public company.*
* *Legal personality.*
* *Limited liability.*
* *They have access to a large pool of capital than sole proprietorship or a partnership.*
* *A private company has a larger pool of professional managers than a sole proprietorship or a partnership.*
* *Assured continuity of the business.*
* *Unlike a public company a private company can commence trading immediately upon receiving a registration certificate.*
1. State **four** services that retailers render to wholesalers. (4marks)
* *Retailers store goods and relieve the wholesalers the burden of storing goods and the storage costs*
* *They relieve the wholesalers the burden of transportation*
* *Retailers advice wholesalers on market trends(on consumers demand)and give valuable information*
* *They help in distribution of goods to the consumers*
* *They help in breaking bulk on behalf of the wholesaler*
* *They finance wholesalers to continue with their operations through paying for the goods*
* *They relieve the wholesaler of some risks that arise from the storage of goods such as theft, fire and accidents.*
1. (a) Explain **five** characteristics of human wants. (10 marks)
* *Insatiable – human wants are endless /each cannot be satisfied once and for all.*
* *Competitive – the unlimited human wants are to be satisfied using limited human wants. This necessitates choice of the wants to satisfy and those to forego;*
* *They are recurrent – Satisfaction levels vary in time such that a need that has been fully satisfied in one point of time requires satisfaction in another point.*
* *Varied intensity and urgency – the intensity of need is different for different people and also in different time, gender, age, season, location and culture.*
* *Require resources – it takes resources to satisfy human wants.*
* *Complimentary – Satisfying some wants may create a need for another related want.*
* *Universal – most human wants are common to all human wants, though in varying quantities and qualities;*
* *Habitual – Many consumers tend to develop a taste of commodities they use more frequently, especially certain brands and also certain addictive commodities.*

**(**b) Discuss **five** characteristics of economic resources. (10 marks)

* *Scarce in supply – the resources are limited while the wants to be satisfied by the resources are unlimited;*
* *Have money value – each commodity has a value that can be used to change ownership from one person to another.*
* *Unevenly distributed – they are more concentrated in some places than on others;*
* *Can change ownership – their money value enables people to change the ownership of the commodities from one person to another;*
* *They have utility – economic resources are useful in satisfying a want;*
* *Can be combined – they can be put together to produce some different commodities, e.g. building materials like natural stone, cement, nails, iron sheet, tiles, wood, concrete, steel and glass can be combined into a building.*
* *They have alternative uses – the owners have to choose the most appropriate use for a resource since it can be put into many different uses with different results;*
* *Can be complimentary – some goods have utility only when used together, for instance car and petrol.*
1. (a) Explain **five** disadvantages of division of labour and specialization in a firm. (10 marks)
* *Its monotonous nature leads to boredom;*
* *Specialization may make a country dependent on other countries;*
* *Specialization makes a worker dependent on one trade risking his employment in case his/her skills or product lose demand in the market;*
* *It hinders creativity since people work mechanically like machines;*
* *Interruption of the work of a few people derails the entire process;*
* *Specialization and division of labour brings people together bringing about congestion causing social crimes like prostitution and robbery.*
* *Lack of motivating pride in the final product by any of the individual worker.*

(b) Explain **five** business considerations one would consider when evaluating a business opportunity. (10 marks)

* *Availability of market for the product-An entrepreneur should assess the availability of customers before starting a business. Customers exist where there is a gap/nich in the market.*
* *Technology-The business should be evaluated in terms of whether there is an appropriate technology that can be used in production.*
* *Availability of raw materials and other resources-The raw materials and resources required should be within the reach and affordable to the entrepreneur.*
* *Government policy-An entrepreneur should consider the requirements of the government before starting a business e.g. the government may require certain businesses to be located in certain areas only.*
* *Amount of capital required-The capital required to run and maintain the business should be considered i.e the source of capital.*
* *Profitability of the business-Within a certain duration of time.*
* *The break-even period-How long the business can take to support itself.*
* *Possibility of expansion i.e. the potential for growth of the business.*
* *Impact of the business operations on the environments; some businesses lead to environmental degradation and should be located in appropriate places/effect on community and environmental health.*
* *Security-Availability of security should be considered.*
* *Level of competition-This will help determine whether the business will survive or not.*
* *The risks that the business will face.*
1. (a) Everline has been able to expand her business, just two months after starting it. Explain **five** possible reasons behind this success. (10 marks)
* *Right choice of business*
* *Proper managerial skills*
* *Proper location/availability of customers.*
* *Adequate finance/capital*
* *Lack of /little competition*
* *Proper financial management.*
* *Proper debt management*
* *Good public relations*
* *Being creative and innovative*
* *Proper market research*
* *Good/proper time management*
* *Proper skills and attitudes of employees.*
* *Proper pricing of goods and services*

**(b**) Explain five importance of ethical issues in business. (10 marks)

* *Ensures no discrimination in business*
* *It ensures that everybody is given an equal opportunity (has equal chance) and is not discriminated against because of their sex, religion, ethnicity, social background e.t.c.*
* *Ensures protection of the environment/Helps in avoiding environmental pollution*
* *Ensures fair play in competition*
* *Helps in avoiding environmental degradation.*
* *Ensures rights of employees are upheld*
* *Eliminates use of unfair means of achieving business objectives*
* *Avoids consumer exploitation*
1. (a) Discuss **five** advantages of open office layout as an arrangement in an office. (10 marks)
* *Easy to supervise the staff;*
* *Low construction cost since they need few partitions;*
* *Easy to locate workers;*
* *Minimizing staff movement hence saving time when passing information;*
* *More efficient utilization of equipment since the staff is closely monitored;*
* *Promotes teamwork;*
* *Low maintenance cost;*
* *Saves floor space;*
* *Cheap to decorate;*
* *Discourages worker abseentism.*

**(b)** State five differences between the invoice and pro-forma invoice. (10 marks)

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| **The invoice** | **The pro-forma invoice** |
| 1. *It is issued after goods and services have been delivered*
 | 1. *It is issued before goods and services have been delivered*
 |
| 1. *It shows the total value of the goods or services on credit*
 | *2)Shows the total value of goods and services to be bought* |
| 1. *It is used to demand payment for products sold on credit*
 | *3)It is used to demand for payment in advance for products to be bought* |
| 1. *Used as a basis for making payment for products already bought*
 | *4)Used as a basis for preparing payment for products not yet bought* |
| 1. *Serves as a notice of payment for products bought on credit*
 | *5) Serves as a Quotation for products to be bought.* |