

**FORM TWO 2019 TERM 2 EXAM**  
**BUSINESS STUDIES MARKING SCHEME.**

**1. Sources of capital for a sole proprietorship.**

- a) Personal savings.
- b) Contributions from friends and relatives.
- c) Loans from banks and other financial institutions.
- d) Buying goods on credit.
- e) Buying on hire-purchase.
- f) Ploughing back profits.
- g) From inheritance
- h) Leasing and renting out properties.

2a) Foreign trade.

- b) Home trade.
- c) Foreign trade.
- d) Home trade.

**3. Disciplines studied under business studies.**

- a) Economics
- b) Commerce
- c) Accounting
- d) Office practice
- e) Entrepreneurship.

**4. Ways through which the government creates a viable working environment for business people.**

- a) Providing incentives e.g. tax reduction and tax holidays /excerptions.
- b) Providing a good infrastructure e.g. good transport system.
- c) Offering financial assistance to business people.
- d) Organizing shows, trade fairs and exhibitions through which traders can promote their products.
- e) Training people on appropriate ways to carry out business.
- f) Advising people on legal matters e.g legal formalities required by various businesses.
- g) Providing security.
- h) Drafting fair policies.
- i) Loan guaranteeing.

**5. External factors that may negatively influence business operations.**

- a) Unfair competition.
- b) Inappropriate technology.
- c) Unstable political environment.

- d) Unstable economic environment.
- e) Unfavourable legal frame work/unfavourable government policies.
- f) Unreliable supply systems.
- g) Strong consumer bargaining power.
- h) Poor physical facilities/infrastructure.
- i) Low population level/market labour.
- j) Unfavourable social –cultural environment.
- k) Insecurity.
- l) Natural calamities
- m) Negative publicity.

#### **6. Characteristics of secondary wants.**

- a) One can survive without them.
- b) They are satisfied after basic wants.
- c) They make a persons' life more comfortable.
- d) They are competitive.

#### **7. Benefits of proper filing to a business organization.**

- a) Vital documents are kept for future reference/evidence.
- b) Easy retrieval and accessibility of documents.
- c) Economical use of available space.
- d) Documents are kept safe from damage.
- e) Limits accessibility of documents to only authorized persons.
- f) Aids in office tidiness.
- g) May help the organization to keep some documents for the length of time as specified by law.
- h) Keeps the documents neat.
- i) Documents are secured from loss.

#### **8. Factors that may lead to the success of a business.**

- a) Availability of capital.
- b) Developed infrastructure.
- c) Availability of skilled labour.
- d) Government support.
- e) Access to the market/customers.
- f) Aggressive marketing.
- g) Proper debt management.
- h) Availability of security
- i) Ideal location/suitable location
- j) Fair competition.
- k) Good management.

- l) Proper allocation of resources.
- m) Proper record keeping.
- n) Fair pricing
- o) Political stability.

**9. Advantages of division of labour.**

- a) Increased out put.
- b) Individual skills are developed.
- c) Production of standardized goods.
- d) Maximum use of machinery.
- e) Encourages innovation and invention.
- f) Saves time.
- g) High quality goods are produced.
- h) Reduced cost of training.

**10. Complaints that may be received from consumers.**

- a) Poor quality goods and services /damaged goods.
- b) Incorrect measures/weights.
- c) Unfair pricing/over pricing/overcharging.
- d) Poor hygienic conditions.
- e) Expired goods.
- f) Contrabands/prohibited goods.
- g) Hoarding of goods.
- h) Misleading advertisements.
- i) Environmental pollution.
- j) Breach of contract.

**11. Circumstances under which a cooperative society may be dissolved.**

- a) Incase of government order/change in law.
- b) Where the cooperative society continuously make losses.
- c) Where stipulated majority of the members agree to dissolve.
- d) Incase of a court order.
- e) Where the cooperative society has achieved the objective for which it was formed.
- f) Incase of withdrawal of members to less than ten.
- g) If it is declared insolvent.

***NB: Don't tick Bankruptcy it applies to an individual.***

**12. Retail businesses that a school leaver may engage in.**

- a) Kiosks
- b) Canteens
- c) Tied shops.
- d) Single shops

- e) Market stalls
- f) Mobile shops.
- g) Roadside selling
- h) Open air market trading.
- i) Hawking.
- j) Peddling
- k) Automatic vending machines.

**NB: The trader should not be awarded any marks.**

**13. Personal attributes of a personal secretary.**

- a) Physical appearance e.g good personal grooming.
- b) Good health.
- c) Good moral behavior.
- d) Good posture.
- e) Good hygiene.

**14. Examples of market gaps.**

- a) Inavailability of product.
- b) Poor quality products.
- c) Insufficient quantities.
- d) Unaffordable prices.
- e) Poor services.

**15**

- a) Possession utility.
- b) Place utility.
- c) Time utility.
- d) Form utility.

**16. Differences between goods and services.**

<b>Goods</b>	<b>Services</b>
<ul style="list-style-type: none"> <li>a) Are tangible.</li> <li>b) Can be stored.</li> <li>c) Can be standardized.</li> <li>d) Can change possession/separable from the producers.</li> <li>e) Not all goods are perishable.</li> <li>f) Most can be seen.</li> <li>g) Can change in value over time.</li> </ul>	<ul style="list-style-type: none"> <li>a) Are intangible.</li> <li>b) Cannot be stored.</li> <li>c) Cannot be standardized.</li> <li>d) Cannot be separated from the provider.</li> <li>e) Highly perishable.</li> <li>f) Cannot be seen.</li> <li>g) Cannot change in value, since they cannot be stored.</li> </ul>

**17.**

- a) Macro-environment.
- b) Macro-environment.
- c) Micro - environment.

d) Micro – environment.

**18. Public utilities provided by the county government of Meru.**

- a) Education.
- b) Health.
- c) Transport.
- d) Water
- e) Sewerage.
- f) Power
- g) Communication.

**19. Contents of a memorandum of association.**

- a) Name clause.
- b) Objects clause.
- c) Situation clause.
- d) Liability clause
- e) Capital clause.
- f) Declaration clause.

**20. Circumstances under which cash payment is appropriate.**

- a) Where the amounts involved is small.
- b) Where the payee does not accept any other means of payment.
- c) Where cash is the only means available.
- d) Where the payee requires cash urgently.
- e) Where there is need to avoid expenses associated with other means of payment.

**21. Factors to be considered when buying office equipment.**

- a) Space available.
- b) Use of which it may be put.
- c) Adaptability.
- d) Technological trends in the economy/obsolescence.
- e) Cost of buying/funds available.
- f) Skills available.
- g) Cost of maintenance.
- h) Effect on staff morale
- i) Availability of spare parts
- j) Availability of power.
- k) Durability
- l) Quality.
- m) Possibility of hiring rather than buying.
- n) Terms and conditions of payment.

- o) Prestige/image.

**22. Reasons for a business to prepare a business plan.**

- a) To avoid mistakes.
- b) Identifying strengths and weaknesses.
- c) A requirement by financiers.
- d) To determine the amount of finance required.
- e) For proper allocation of resources.
- f) It's a motivating factor.
- g) For adaptability.

**23.**

- a) Direct production.
- b) Indirect production.
- c) Indirect production.
- d) Direct production.

**24. Roles of the Nairobi Stock Exchange Market as a market for securities.**

- a) Facilitates buying of shares.
- b) Facilitates selling of shares.
- c) Safeguarding investors interests.
- d) Providing useful information to investors to enable them make decisions on investment areas.
- e) Assist companies to raise capital through sale of shares/I.P.O
- f) Creates employment to brokers and Agents.
- g) Raises revenue for the government.
- h) Avails a variety of securities e.g. shares, treasury bills and bonds.
- i) Fixing prices of securities.
- j) Measure of country's economic progress.
- k) Promotes the culture of saving.

**25. Characteristics of a supermarket.**

- a) Requires large amounts of capital to start.
- b) Stocks a variety of goods.
- c) Offers self-service facilities.
- d) Goods have price-tags.
- e) Prices of goods are fixed.
- f) No credit facilities are offered.
- g) Sell at comparatively low prices.