

TERM 2
BUSINESS STUDIES FORM 2
2023

1. From the following list of items, classify them to their internal or external business environment by ticking (✓) (4mks)

	Item	Internal	External
(i)	Invested funds	✓	
(ii)	Technology applied	✓	
(iii)	Employees	✓	
(iv)	Cultural factors		✓
(v)	Tools	✓	
(vi)	Entrepreneur	✓	
(vii)	Government laws and regulation		✓
(viii)	Taxes		✓

2. State **four** advantages of an open office plan. (4mks)

- (i) It enhances the effective supervision of staff.
- (ii) It is economical in terms of office machines.
- (iii) It enhances effective communication.
- (iv) It improves interpersonal relationships among workers.
- (v) It allows greater flexibility.
- (vi) It saves space.

3. **Four** distinctive features of a parastatal. (4mks)

- (i) Fully owned by the Government.
- (ii) Formed by an act of parliament.
- (iii) Not necessarily profit-oriented.
- (iv) Initial capital provided by the government.
- (v) Directors are appointed by the government.

4. Highlight four disadvantages of multiple stores (4 marks).

- i) Slow response to market changes
- ii) Slow process in decision making
- iii) Requires a large amount of capital to start
- iv) Monotonous range of products across the branches
- v) It operates on a cash basis only

5. Highlight **four** disadvantages of government involvement in business activities. (4mks)

- (i) May create unfair competition to private sectors
- (ii) Slow to adapt to market changes due to government bureaucracy
- (iii) Losses made by public enterprises may require further governmental funding
- (iv) Leads to misappropriation of public funds
- (v) Political interferences
- (vi) Most governmental projects are expensive and require heavy investment

6. Give **four** basic characteristics of a business idea. (4mks)

- a. What product or service to sell.
- b. The market to sell goods and services.
- c. Where to locate the business.
- d. How the business will run.
- e. Objectives of the business.
- f. The pricing of the product or service.

7. The following features relate to warehousing. Indicate the most suitable type of warehouse described. (4mks)

- (i) Used to store locally produced goods until custom duty is paid. **Bonded warehouse**
- (ii) Mostly situated in accessible points and are available at a fee **Public warehouse**
- (iii) Warehouse used to store non-dutiable goods originating from within or outside the country. **Free warehouse**
- (iv) Warehouse designed to suit one's particular needs. **Private warehouse**

8. Highlight **four** advantages a seller would have by changing from counter service to self-service for customers. (4mks)

- (i) Services to make customers in less time.
- (ii) Customers have the freedom to make their choices hence popularizing the business.
- (iii) Fewer salespeople would be required hence lowering the costs.
- (iv) Can lead to impulse buying hence more sales
- (v) Lead to the reduction of both administrative and overhead costs.

9. Outline **four** current trends in the transport sector in Kenya. (4mks)

- i. Superhighways
- ii. Bi-passes
- iii. Expressway
- iv. Standard Gauge Railway (SGR)
- v. Use of TUKTUKS
- vi. Capacity-carrying vehicles
- vii. New traffic rules
- viii. Electric vehicles
- ix. Online taxi-hailing

10. Highlight **four** measures consumers may take to satisfy their unlimited wants using limited resources. (4mks)

- i) Make a choice of what goods to satisfy.
- ii) Prepare a scale of preference thus prioritizing his wants.
- iii) Conserve resources since they are scarce
- iv) Invent new products

11. State four characteristics of a good entrepreneur (4 marks)

i) **Desire to achieve-**

An entrepreneur is a person who wishes to excel and has the drive to succeed while competing with others. He/she always tries to accomplish something new.

ii) **Ability to solve problems-**

An entrepreneur is expected to struggle with determination to get solutions even under difficult situations so that the business can succeed.

iii) **Risk-taker-**

Entrepreneurs take viable business ventures even when they are not sure of the returns. They assess situations and take calculated risks.

iv) **Initiative –**

An entrepreneur should be aggressive in implementing ideas well ahead of other businesses so that he/she can be ahead of them.

v) **Time consciousness-**

An entrepreneur should be able to use time wisely and avoid wasting it. A wise and quickly implemented decision may mean success in business whereas time lost may mean failure.

vi) **Creativity and innovation-**

An entrepreneur should be able to generate new ideas as well as think of the best ways of putting them into practice.

vii) **Independence and self-confidence-**

Entrepreneurs are their own bosses and should believe in their ability to do things and succeed.

viii) **Persistence and patience-**

An entrepreneur should not give up when challenges arise. Sometimes, he/she takes time and make a repeated action or adopts a different course of action in order to overcome such challenges so as to reach the target

ix) **Decisive-**

Entrepreneurs have strong problem, solving and decision making skills. The business environment is such that decisions have to be made quickly to respond to any situation that may arise.

x) **Persuasive-**

Convincing people to believe in their ideas and buy their products keeps entrepreneurs in business.

xi) **Goal-oriented-**

Entrepreneurs are achievers who work towards set goals. They continually monitor progress to determine whether they are achieving the goals they have set and where improvements need to be made.

xii) **Seek information-**

Entrepreneurs use various methods to get the relevant information that is necessary for the success of the business.

xiii) **Concern for high quality products-**

An entrepreneur should strive to cope or beat the existing standards of quality. This will enable him/her to succeed in a competitive market.

xiv) **Commitment to work-**

An entrepreneur places priority on getting tasks accomplished. To achieve this he/she may make extra ordinary personal sacrifice e.g. working until very late.

xv) **Concern for customer satisfaction-**

An entrepreneur should ensure that customers are satisfied so as to continue being/remain loyal to the business.

xvi) **Desire to feedback-**

An entrepreneur should be interested in knowing how the business is performing.

12. State four roles of stock exchange as a market for securities (4 marks)

- i) Facilitates buying and selling of shares and other securities
- ii) Assist companies to raise capital
- iii) Creation of employment
- iv) Raising revenue to the government
- v) Measures of a country's economic progress
- vi) Promotes the culture of saving
- vii) Availing variety of securities

13. State the line of communication involved in each of the following situations. (3 marks)

a) The manager of Safaricom Company Ltd talking to the manager of Airtel Company Ltd.

Diagonal

b) A messenger asking for time off from her boss

Vertical (upward)

c) Rumors going around that the company will be closing down due to harsh economic conditions

Informal

d) The production manager discussing the company prospects with the sales manager

Horizontal

14. State **four** ways of classifying partners in business enterprises (4marks)

- (i) According to the age of partners
- (ii) According to capital contribution
- (iii) According to liability
- (iv) According to the role played by the partner

15. Give four differences between a private limited company and a public limited company

(4 Marks)

Private ltd company	Public ltd company
Minimum of 2 shareholders	Minimum of 7 shareholders
Maximum of 50 shareholders	No set maximum of shareholders
Share transfer is restricted	Shares are freely transferable
Does not advertise its share	Advertise shares to the public
Can start immediately after receiving the incorporation certificate	Can only start operations after receiving the incorporation certificate and the trading license

16. Name the business document that each of the following descriptions refers.(4 Marks)

Description	Document

a) It is used to correct an overcharge in an invoice	Credit note
b) It is used to alert the buyer that ordered goods are on the way	Advice note
c) Summarize all monthly credit transactions between regular buyer and seller.	Statement of account
d) It is a reply to an inquiry which contains descriptions, illustrations, terms of sale and prices of goods	catalogue

17. Outline four reasons why a business person may prefer written communication to verbal communication. (4 Marks)

- i) Written communication provides evidence which may not be there in verbal communication
- ii) Written information can be stored for future reference unlike verbal which cannot be stored and depends on the recipients memory
- iii) It is not prone to distortions and therefore more accurate than verbal communication
- iv) Written communication can be in form of diagrams, illustration and maps which is not possible for verbal communication
- v) Some written communication such as letters would be cheaper and time saving than verbal communication, for example making long telephone calls.
- vi) Written communication can be used for confidential messages, for example registered mails

18. Outline four circumstances when the government may introduce regulatory measures to protect consumers from exploitation by business people. (4mks)

- (i) Where the standards for operating business are low/unhealthy operations.
- (ii) Incase of generalized exploitation of consumers on weights and measures.
- (iii) If there is a need for the government to enforce existing laws. for example:- trading licence.
- (iv) If Hoarding is taking place.
- (v) In case there are unsafe buildings.

- (vi) Where there is sale of Substandard goods.
- (vii) In case the consumers are being overcharged
- (viii) In case of false advertising.
- (ix) Where there is breach of contract

19. Outline four benefits that consumers get from warehousing. (4mks)

- i) It helps maintain / improve quality of goods - this is mainly for goods that mature over time such as wine /for them to get goods when still fresh.
- ii) It ensures constant supply of goods - facilitates release of goods in the market regularly which minimize shortages/so as to get goods as/ when needed.
- iii) Preparation of goods for sale - goods are sorted, graded, packaged, blended, branded.
- iv) Availability of seasonally produced goods - consumers can access goods that are off season from the warehouse e.g. farm produce.
- v) Stability in prices of goods - ensures constant supply of goods leading to stable prices throughout the year/due to minimal shortages.
- vi) Creates time utility - ensures that the consumer accesses and uses goods at appropriate time.
- vii) It enables the breaking of bulk - where he/she is able to buy goods in convenient /affordable quantities.
- viii) Availability of seasonally demanded goods. That are produced but only come to use at certain times/such as gumboots/umbrellas.
- ix) Availing a variety/different goods enabling him/her have a wider choice/satisfy different wants/tastes
- x) Providing security - to avoid loss due to theft/pilferage.

20. Highlight four limitations associated with water transport (4 Marks)

- (i) Relatively slow hence perishable /urgently needed goods may not be transported this way /take long when traveling
- (ii) Limited availability only applicable where water is available

- (iii) Waterways can be affected by adverse weather conditions such as droughts/freezing/storms/flooding.
- (iv) Costs of maintaining/construction of ports/canals/waterways/harbor may be (relatively) high /expensive making it unaffordable for some countries
- (v) Waterways may not be navigable due to rough terrain/waterfalls/cataracts/rapids/shalowness/narrowness/inhabited by dangerous animals/rough waters.
- (vi) High costs of units of carriage/vessels which may make them unaffordable to acquired/maintain
- (vii) May be prone to piracy in the high seas /remote areas/may lead to Losses/may leads to losses/increased in insurable costs.

21. Outline four barriers to effective communication (4 Marks)

- i) Unfamiliar language
- ii) Poor Listening
- iii) Negative Attitude
- iv) Poor Timing
- v) Wrong medium
- vi) Prejudgment
- vii) Ambiguities
- viii) Emotional responses
- ix) Unclear System within the organization
- x) Noise
- xi) Unfamiliar nonverbal signals

22. State four circumstances under which cheque as a means of payment would be appropriate

(4 Marks)

- (i) When the amounts involved in the transaction are high.
- (ii) When the seller insists on payment by cheque.

- (iii) When evidence of payment is required.
- (iv) When payment is to be directed into the payee 's account.
- (v) When the terms of sale is cash with order.
- (vi) When there is need to ensure safety of the money being transferred.

23. Highlight four possible sources of capital for a co-operative society (4 Marks)

- (i) Membership contribution
- (ii) Retained profits
- (iii) Income from credit facilities
- (iv) Income from investments
- (v) Acquiring property on credit or on hire purchase

24. Highlight four types of utility in the production and consumption of goods and services.
(4 Marks)

- (i) Place utility
- (ii) Form utility
- (iii) Possessive utility
- (iv) Time utility

25. Essential elements of transport (4 Marks)

- (i) Ways
- (ii) Method of propulsion
- (iii) Terminals
- (iv) Unit of carriage