

**BUSINESS STUDIES PAPER**  
**FORM 2**  
**2017**

**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 in case 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.*

2. 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*
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- ✓ *Who has the authority to act on behalf of other partners.*
3. 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*
4. 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.*
5. 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.*
6. (a) Explain **five** characteristics of human wants. (10 marks)
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- ✓ *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.*

7. (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;*
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- ✓ *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.*

8. (a) Everline has been able to expand her business, just two months after starting it. Explain **five** possible reasons behind this success. (10 marks)

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|-----------------------------------|---|
| ✓ <i>Right choice of business</i> | ✓ <i>Proper location/availability of customers.</i> |
| ✓ <i>Proper managerial skills</i> | ✓ <i>Adequate finance/capital</i>                   |
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- ✓ *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*

9. (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 absenteeism.*

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

<b>The invoice</b>	<b>The pro-forma invoice</b>
<i>1) It is issued after goods and services have been delivered</i>	<i>1) It is issued before goods and services have been delivered</i>
<i>2) It shows the total value of the goods or services on credit</i>	<i>2) Shows the total value of goods and services to be bought</i>

<i>3) It is used to demand payment for products sold on credit</i>	<i>3)It is used to demand for payment in advance for products to be bought</i>
<i>4) Used as a basis for making payment for products already bought</i>	<i>4)Used as a basis for preparing payment for products not yet bought</i>
<i>5) Serves as a notice of payment for products bought on credit</i>	<i>5) Serves as a Quotation for products to be bought.</i>