

Term 2 - 2022
BUSINESS STUDIES (565/2)
FORM FOUR (4)
Time: 2½ Hours

Marking Scheme

1. (a) Circumstances that can cause a business to succeed in their activities

- Where there is proper location of the business convenient for its operations .i.e Availability of customers.
- Where there is favourable government policies it encourages growth and investment.
- Where there is political stability and security thus creates certainty and confidence to entrepreneurs.
- Where there is fair competition to enable business access markets for its goods and services
- Where there is use of modern technology in production of goods and services promoting quality production.
- Where there is adequate capital to run and expand the business.
- Where there is availability of skilled and adequate labor matched to their job specialization
- Where there is good customer relationship and care to attract and retain clients.
- Where there is availability of good infrastructure for business to access its market and inputs.
- Where there is proper marketing plans to increase sales.

5 well explained points= 10mks

(b) Procedure an insured must take when making an insurance claim (10mks)

- Notification of the insurer by the insured that the risk insured against has occurred.
- Filling a claim form. The insured is issued with a claim form to fill in giving details of the risk based on the principle of utmost good faith.
- Investigation of the claim. The insurer investigates the claim based on the information in the claim form.
- Preparation of the assessment report. The insurer assesses the assessor's report on the extent of the loss.
- Payment of the claim .On the assessment of the claim, the insured prepares to compensate the insured.(**5 well explained steps= 10mks**)

2. a)

Mzalendo Enterprises				
Balance Sheet				
As at 30 th July 2010				
<u>Fixed Assets</u>	Ksh.	Ksh		Ksh.
Motor Van	85,000✓		Capital	
250,000✓				
Furniture	<u>20,000</u> ✓			
		105,000		
Current assets				
Stock	16,500✓			
Bank	103,500✓			
Cash	<u>50,000</u> ✓	<u>170,000</u>		
<u>25,000</u> ✓			Creditors	
		<u>275,000</u>		<u>275,000</u>

(b) Importance of encouraging upward communication in an organization

- Facilitates quick feedback
- Enables the management to receive and accommodate the views and sentiments of all staff in the organization when making decisions
- Enables a sense of belonging among workers thus motivating all members of staff
- Encourages free dialogue between the junior and senior members of staff

3. a) Three column Cash book

Three column cash book

Date	Details	Discount allowed	Cash	Bank	Date	Details	Disc Received	Cash	Bank
2020					2020				
March 1	Bal b/d		7800		March 1	Bal b/d			23400
3	Sales			6500	4	Purchase			15000
6	Sales		50,000		13	Insurance		16000	

9	Amolo	2000		18000	14	Kimotho	300		9700
17	Sales			150000	21	Cash			30000
21	Bank		30,000		25	Wages		20000	
23	Rotich	1250		23750	26	Amolo			18000
30	Cash			48,800		Bank		48800	
		<u> .</u>	<u> .</u>	<u> .</u>		Bal c/d	<u> .</u>	<u>3000</u>	<u>150950</u>
		<u>3250</u>	<u>87800</u>	<u>247,050</u>			<u>300</u>	<u>87800</u>	<u>247050</u>

(b) Challenges of young population.

(10mks)

- a) High rate of unemployment – demand for jobs increases.
- b) Rate of crime/social evils may rise – due to the idleness of youths.
- c) Constraints/pressure on resources available
- d) Dependency ratio will rise.
- e) Reduced investment/savings.
- f) Low labour supply.
- g) Low per capital income.
- h) Problem of raising government/finance.

4. (a) Explain five circumstances under which personal selling may be appropriate as a method of product promotion. (10mks)

- a) When launching a new product because it requires a lot of awareness creation, persuading and convincing.
- b) When the products are tailored to meet customers specification because customers have varying tastes and preferences.
- c) When demonstration is required especially for technical products.
- d) When the value of the product is high to avoid risks of losing such products.
- e) When the organization can afford to finance the sales force.
- f) When the market is concentrated in one area.

(b) Explain five factors that may hinder entrepreneurial activities in a country. (10mks)

- a) Unfavorable government policies, which discourage establishment of business e.g high taxation.
- b) Poor infrastructure discourages smooth running of the business.
- c) Political instability.
- d) Stiff competition.
- e) Inadequate resources to start and run the business.

f) Unavailability of market.

5 Advantages of specialization and division of labour

- i.) Output per worker is greatly increased thus increased productivity
- ii.) Encourages invention and innovation thus reducing the cost of production
- iii.) High quality goods and services are produced thus attracted more demand
- iv.) It saves on time thus maximizing on available labour
- v.) Production is faster and efficient thus enable continuous supply and meet unexpected demand

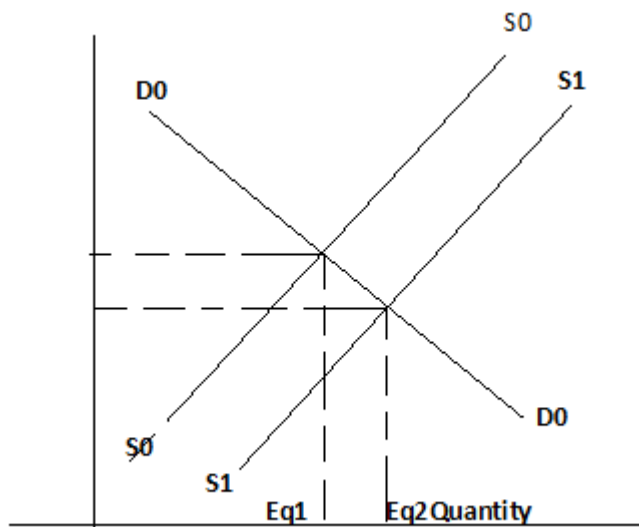
b) Policies to be taken

- i.) Workman's compensation policy as it covers workers who may be injure in the course of their duties
- ii.) Cash on transit policy to cover any loss of cash enroute the bank
- iii.) Fidelity / guarantee policy so as to cover any loss caused by dishonesty of workers
- iv.) Fire policy which covers the losses caused by incidences of fire
- v.) Sprinkle leakage policy to cover against leakage of fires fighting sprinkles affixed in the premium
- vi.) Goods on transit policy to cover goods being transported to/from the premium
- vii) Windows/ glass policy – to cover damage to the windows and glass to the premises
- viii) Burglary policy – to cover theft and burglary to the premises

6. a) Advantages of Mpesa

- i.) Saves time
- ii.) Withdrawal can be done any time
- iii.) They are conveniently placed
- iv.) Have access to account balance
- v.) Can pay utility bills
- vi.) Cheap to operate
- vii.) Safer to use
- viii) Can deposit money in bank account
- ix) Can withdraw money from the bank

b)



A decrease in cost of production will increase the quantity supplied resulting to

- i.) A forward shift of the SS curve
- ii.) Increase equilibrium quality
- iii.) Reduced equilibrium price
- iv.) A forward shift of the equilibrium point