**NAME.................................................................................ADMNO………………….CLASS……...........**

**DATE..................**

**GATITU MIXED SECONDARY SCHOOL**

**BUSINESS STUDIES**

SCORE (50 MARKS)

**FORM TWO**

**MID TERM 1 EXAM 2015**

**TIME: 1 Hour**

**INSTRUCTIONS TO CANDIDATES**

* ***Write your name and admission number in the spaces provided.***
* ***Answer all the questions in the spaces provided.***

1. State four characteristics of direct production. (4 marks)

a)..................................................................................................................................................b).................................................................................................................................................c)..................................................................................................................................................d)..................................................................................................................................................

1. Draw four differences between ordinary shares and preference shares. (4 marks)

|  |  |
| --- | --- |
| Ordinary shares | Preference shares |
| a)  b)  c)  d) |  |

1. Give FOUR differences between goods and services. (4 marks)

|  |  |
| --- | --- |
| GOODS | SERVICES |
| a) |  |
| b) |  |
| c) |  |
| d) |  |

1. Classify each of the following activities into its appropriate level of production.

|  |  |
| --- | --- |
| ACTIVITY | LEVEL OF PRODUCTION |
| 1. Banking |  |
| 1. Fishing |  |
| 1. Teaching |  |
| 1. Baking bread |  |

(4 marks)

5. Explain the meaning of the following terms as used in business studies (4 marks)

a) Production

b) Commerce

c) Distribution

d) Office practice

1. State the reward to each of the following factors of production (4 marks)

|  |  |
| --- | --- |
| **FACTORS** | **REWARD** |
| a)Machinery |  |
| b )Manager |  |
| c) Raw materials |  |
| d) The owner of the business |  |

7. Highlight FOUR importance of entrepreneurship in the Kenyan economy. (4 marks)

a)…………………………………………………………………………………………………………………………………………………………………………………………... b)…………………………………………………………………………………………………………………………………………………………………………………………… c)…………………………………………………………………………………………………………………………………………………………………………………………… d)…………………………………………………………………………………………………………………………………………………………………………………………...

8. State four disadvantages of sole proprietorship. (4 marks)

a)………………………………………………………………………………………………………………………………………………………………………………................... b)…………………………………………………………………………………………………………………………………………………………………………………………… c)…………………………………………………………………………………………………………………………………………………………………………………………… d)…………………………………………………………………………………………………………………………………………………………………………………………...

9. Indicate the form of business ownership described below: (4 marks)

|  |  |
| --- | --- |
| Description | Form of business ownership |
| 1. Owned by a minimum of two persons and a maximum of 20 |  |
| 1. Associations of persons who contribute capital for the business and viewed by law as a legal entity separate from its members. |  |
| 1. Formed by between two and fifty shareholders excluding the employees |  |
| 1. A group of people who come together mainly to provide convenient and efficient services to members. |  |

1. Identify four differences between public limited and private limited companies. (4 marks)

|  |  |
| --- | --- |
| PUBLIC LIMITED COMPANY | PRIVATE LIMITED COMPANY |
| a) | a) |
| b) | b) |
| c) | c) |
| d) | d) |

1. Outline five circumstances under which partnership business may be dissolved. (5 marks)
2. ……………………………………………………………………………………………………………………………………………………………………
3. ……………………………………………………………………………………………………………………………………………………………………
4. ……………………………………………………………………………………………………………………………………………………………………
5. ……………………………………………………………………………………………………………………………………………………………………
6. ……………………………………………………………………………………………………………………………………………………………………
7. Highlight five sources of capital of limited companies. (5 marks)
8. …………………………………………………………………………………
9. …………………………………………………………………………………
10. …………………………………………………………………………………
11. …………………………………………………………………………………
12. …………………………………………………………………………………

**“Yes I CAN, Yes I MUST!” All The Best.**

**Mr. Chihi**