

FORM 4 **BUSINESS STUDIES** **TIME: 1h 30min**

Name: _____

Class: _____

MARKS

Section A	Section B1	Section B2	Section B3	Section C	TOTAL
20	20	20	20	20	100

SECTION A: ANSWER ALL QUESTIONS.

Put the letter corresponding to the right answer in the box provided at the end of each question.

Each question carries 2 marks, giving a total of 20 marks for the whole Section.

1. **Money** can be anything which is:

- (a) used in the barter system to get rid of one's surplus
- (b) a medium of exchange and universally acceptable
- (c) backed by totally by gold or in the form of coins or notes only

2. A **disadvantage of division of labour** is that:

- (a) certain skills may be lost
- (b) mobility of labour is decreased
- (c) less items are produced

3. A **firm which gives business consultancy** to clients is **best located**:

- (a) in the vicinity of the port
- (b) near to raw materials
- (c) where there is the market pull

4. **Decentralisation** implies:

- (a) having power in a central authority
- (b) lack of democracy
- (c) delegation of authority

5. The **balance of payments** may be described as:

- (a) total exports minus total imports
- (b) visible trade less invisible trade
- (c) goods/services exported to other countries

6. A high rate of **labour turnover** indicates:

- (a) positive working conditions and payment
- (b) poor management and unhappy workers
- (c) a business which is highly successful

7. The main aim of a **Trade Union** is to:
- (a) use restrictive practices to affect management
 - (b) establish good industrial relations
 - (c) increase industrial disputes

☐

8. A firm needs to **communicate externally** to:
- (a) place orders and sell its products
 - (b) coordinate the employees inside the firm
 - (c) send a memo to its workers

☐

9. **Which** of these statements **is correct**?
- (a) Choices will lead one to experience an opportunity cost.
 - (b) Taking up an opportunity for profit-making is called opportunity cost.
 - (c) Scarcity of resources helps to eliminate opportunity cost.

☐

10. To **register a newly-formed company** one needs:
- (a) a trading certificate and certification of incorporation
 - (b) to issue a prospectus for selling shares
 - (c) the Memorandum and Articles of Association

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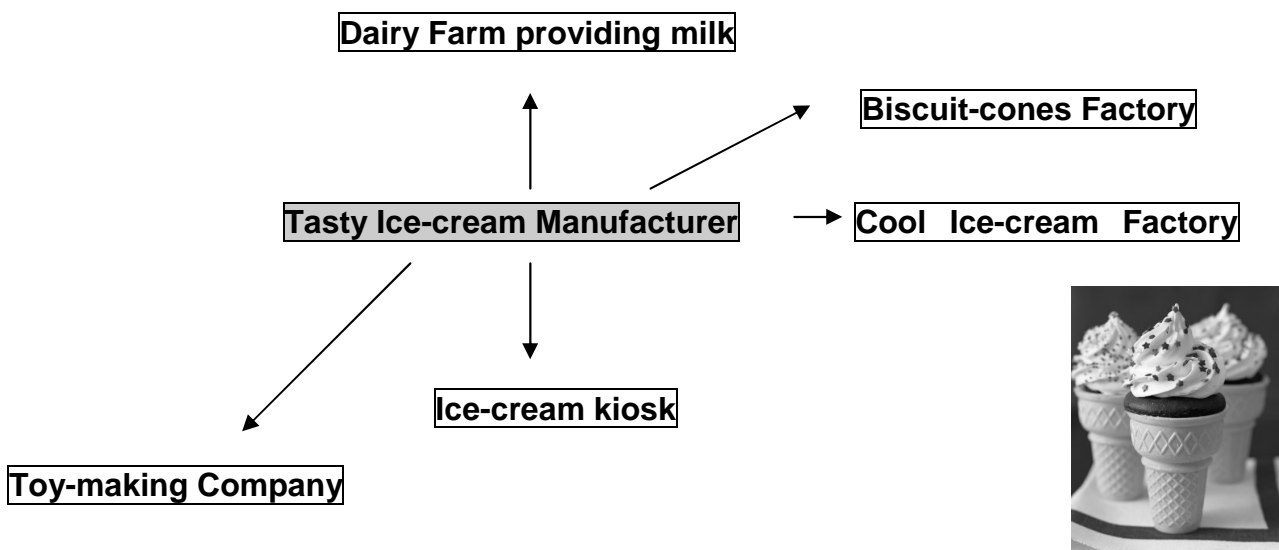
(20 marks)

SECTION B: ANSWER ALL THE QUESTIONS IN THIS SECTION.

This Section carries a total of 60 marks.

• Case Study 1

Examine the diagram below to answer the questions that follow in the spaces provided.



a. State the **type of integration** that has taken place in the following cases:

<ul style="list-style-type: none"> Tasty Ice-cream Manufacturer with Dairy Farm providing milk 	<u>Type of Integration:</u>
<ul style="list-style-type: none"> Tasty Ice-cream Manufacturer with Cool Ice-cream factory 	<u>Type of Integration:</u>
<ul style="list-style-type: none"> Tasty Ice-cream Manufacturer with Ice-cream kiosk 	<u>Type of Integration:</u>
<ul style="list-style-type: none"> Tasty Ice-cream Manufacturer with Toy-making Company 	<u>Type of Integration:</u>
<ul style="list-style-type: none"> Tasty Ice-cream Manufacturer with Biscuit-cones Factory 	<u>Type of Integration:</u>

(5 marks)

- b. In each of the following cases, **give one (1) reason why Tasty Ice-cream Manufacturer would decide to merge with the:**

▪ Dairy Farm	<u>Reason:</u>
▪ Other Ice-cream factory	<u>Reason:</u>
▪ Ice-cream kiosk	<u>Reason:</u>
▪ Toy making factory	<u>Reason:</u>
▪ Biscuit-cones factory	<u>Reason:</u>

(5 marks)

- c. If Tasty Ice-cream Manufacturer were to **grow internally** rather than by amalgamation with other firms, **give an example** how this could occur.

(2 marks)

- d. Tasty Ice-Cream Manufacturer started off as a small scale business. **Though being a small firm** at that time, **it still survived** in the market. Give **two (2) possible reasons** for this.

- (i) _____
- (ii) _____

(4 marks)

- e. One reason why firms grow is to achieve **economies of scale** but they have to be careful that growth does not result in **diseconomies of scale**. (i) Define economies of scale and (ii) with an example show how diseconomies of scale may result.

- (i) _____
- _____
- (ii) _____
- _____

(4 marks)

- Case Study 2

Read this extract from a newspaper and then answer the questions related to it and the foolscaps provided.



XYZ group will be announcing their first debenture issue tomorrow. Proceeds from the debenture issue will be used to finance completion costs for the refurbishing of an old theatre which will henceforth serve as a new retail outlet bought by the XYZ group. This new retail outlet will serve to house another fashion clothing franchise in addition to the existing retail franchises owned by the XYZ group. The Chairman of the XYZ group expressed: “We firmly believe in diversification”.

- It is evident that XYZ group are engaged in retailing. Express what a **retail outlet** is. (2 marks)
- Define “debenture issue” and explain in some detail the difference between a share and a debenture. (6 marks)
- What is exactly a “fashion clothing franchise”? Explain with special reference to what a franchise agreement is about. (6 marks)
- Give two (2) advantages and two (2) disadvantages of a franchise agreement to the franchisee. (4 marks)
- Why do you think that the Chairman and the XYZ group believe in **diversification**? (2 marks)

- Case Study 3

Read the extract presented below and then answer the related questions on the foot provided.

An ideal H.R. Manager would be capable of handling the firm's personnel well in order to keep them happy. He would use several techniques such as "job rotation" and "job enrichment" because he realises that employees are the most important resource or factor of production.



- a. **Apart from people**, which are the other **two (2) factors of production** that a business organisation makes use of? **List and describe.** (4 marks)
- b. Give a reason why "**employees are the most important resource**" of the firm **and why** are **entrepreneurs also necessary.** (4 marks)
- c. **Distinguish** between "**job rotation**" and "**job enrichment**", in each case **giving a reason why it is done.** (4 marks)
- d. **Fringe benefits** can also be used to **motivate employees** to work harder. **Why?** (Hint: refer to Maslow's hierarchy of needs). (2 marks)
- e. The happiness of workers is also affected by the style of management used at the workplace. Examine the list below and for each situation, state with which style of management it can be associated, choosing from **autocratic**, **democratic** and **laissez faire**:
 - (i) **It sometimes takes a long time to arrive at a decision;**
 - (ii) **Employees are unhappy because they are not being led properly but left on their own without guidelines; and**
 - (iii) **There is no space for the workers to sound their opinion.**

(6 marks)

SECTION C: CHOOSE ONE (1) OF THE FOLLOWING TOPICS AND ANSWER THE RELATED QUESTIONS ON THE FOOLSCAPS PROVIDED.

Each topic carries a total of 20 marks.

1. The main source of finance for the Public Sector is different from that of the Private Sector and consists basically in general taxation – progressive and regressive.

- a. Distinguish between progressive and regressive taxation. (2 marks)
- b. Describe two (2) types of progressive taxes and two (2) types of regressive taxes. (8 marks)
- c. Mention and describe two (2) other functions of taxes apart from financing the public sector. (4 marks)
- d. Besides taxation the public sector can also be financed using other sources. Describe three (3) other sources. (6 marks)

OR

2. Product promotion involves both “Advertising” (which attempts to inform and to persuade), as well as “Sales Promotion”.

- a. Explain the importance of product promotion in a world based on division of labour and mass production. (4 marks)
- b. Distinguish between “advertising” and “sales promotion”, giving examples. (6 marks)
- c. Using examples show how informative advertising and persuasive advertising differ, with special reference to various hidden persuaders. (10 marks)

OR

3. Pressure groups use lawful and peaceful methods to influence others and bring about change.

- a. Mention the names of four (4) pressure groups or types of pressure groups you know of, and in each case, state the specific purpose for which they have been set up or are protesting. (8 marks)
- b. List six (6) ways how pressure groups may protest. (6 marks)
- c. Why is it important for a business to pay attention to suggestions put forward by pressure groups? (2marks)
- d. Besides pressure groups, mention two (2) types of law that aim to control businesses. (4 marks)