MUKAMENI AIC SENIOR SCHOOL

MID TERM ASSESSMENT

BUSINESS STUDIES

Grade 10 · TERM 2, 2026

Name: ______________________________	**Admission Number:** ______________________________
Sign: ______________________________	**Date:** ______________________________

Time: 2 HOURS

Instructions to candidates

a. Write your name and admission number in the spaces provided at the top of this page.
b. Sign and write the date of examination in the spaces provided above.
c. This paper consists of TWO sections; A and B.
d. Answer ALL the questions in section A.
e. Answer ALL the questions in section B.
f. All answers should be written in the spaces provided on the question paper.
g. Candidates should check the question paper to ensure that no questions are missing.

For Examiner's Use Only

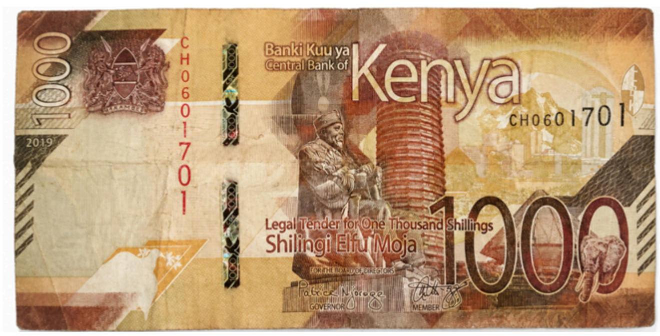
Section	Question	Score
A	1 - 11	
B	12	
	13	
	14	
Total		

SECTION A (Answer all the questions in this section)

1. Define the term business activities. (2 marks)

2. Define money. (2 marks)

3. Study the Kenyan banknote shown below. Identify four security features that can be used to confirm that the note is genuine. (4 marks)



4. Highlight **four** monetary measures that the Central Bank may use to reduce too much money in circulation. (4 marks)

5. Highlight **four** problems that limited the practice of barter trade. (4 marks)

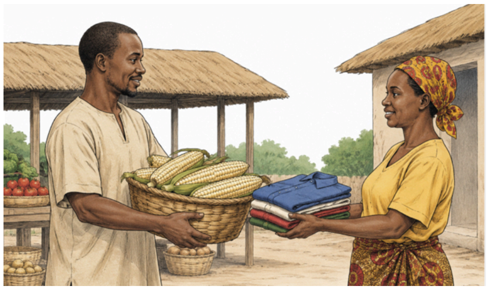
6. Highlight **four** factors that determine the amount of money held for precautionary purposes. (4 marks)

7. A small business owner uses money responsibly in running the business. Identify four ethical practices related to the use of money. (4 marks)

8. A shopkeeper in a local market received a Ksh 1,000 note from a customer. State **four** security features the shopkeeper may check to confirm that the note is genuine. (4 marks)

9. A family has realized that the prices of food, transport and rent have increased. Outline **four** effects this may have on the family's use of money. (4 marks)

10. Study the picture below showing a form of trade. Outline four problems that may be experienced in this form of trade. (4 marks)



11. State **four** factors that may determine the demand for money in an economy. (4 marks)

SECTION B (Answer all the questions in this section)

12(a). Explain **five** ways in which a business can reduce or avoid a budget deficit. (10 marks)

(b). Baraka Traders had an opening cash balance of Sh. 10,000 on 1st January. During January, February and March, the business expected cash sales of Sh. 70,000, Sh. 85,000 and Sh. 95,000 respectively. Rent received was expected to be Sh. 10,000 in January, Sh. 10,000 in February and Sh. 15,000 in March. The business also expected to pay for purchases amounting to Sh. 35,000 in January, Sh. 50,000 in February and Sh. 40,000 in March. Wages were expected to be Sh. 15,000 each month. Electricity expenses were expected to be Sh. 5,000 in January, Sh. 8,000 in February and Sh. 7,000 in March, while transport expenses were expected to be Sh. 10,000, Sh. 12,000 and Sh. 8,000 respectively.

Prepare a three-month cash budget for Baraka Traders showing opening balance, total receipts, total payments and closing balance for each month. (10 marks)

13(a). Explain **five** services rendered by commercial banks to traders. (10 marks)

(b). A business owner is deciding whether to produce goods for own use or produce goods for sale. Explain **five** differences between direct production and indirect production. (10 marks)

14(a). A business is preparing to set new goals after studying its internal and external environment. Explain five ways in which SWOT analysis may help the business in goal setting. (10 marks)

(b). A business owner wants to maintain trust when handling customers' money. Explain five ethical practices that should be observed when using money in financial transactions. (10 marks)

MARKING SCHEME

BUSINESS STUDIES MARKING SCHEME

SECTION A (Answer all the questions in this section)

1. Define the term business activities. (2 marks)

Business activities are activities carried out by people or organizations to produce, buy, sell or provide goods and services in order to satisfy human needs and wants. ✓
Maximum 2 marks
Award 2 marks for a complete definition.

2. Define money. (2 marks)

Money is anything generally accepted as a means of payment for goods and services and for settling debts.

3. Study the banknote shown below. State four security features that can be used to identify it as genuine. (4 marks)

Watermark. ✓
Security thread. ✓
Serial number. ✓
Raised print. ✓
Colour and design. ✓
Value of the note. ✓
Images or symbols. ✓
Word "Kenya" / Central Bank of Kenya. ✓
Maximum 4 marks
Award 1 mark each.

4. Highlight four monetary measures that the Central Bank may use to reduce too much money in circulation. (4 marks)

Increasing interest rates. ✓
Controlling lending by commercial banks. ✓
Selling government securities. ✓
Increasing cash reserve requirements. ✓
Reducing the amount of credit available. ✓
Maximum 4 marks
Award 1 mark each.

5. Highlight four problems that limited the practice of barter trade. (4 marks)

Double coincidence of wants was required. ✓
Some goods were indivisible. ✓
Some goods were perishable. ✓
There was no standard measure of value. ✓
It was difficult to store wealth. ✓
It was difficult to make future payments. ✓
Maximum 4 marks
Award 1 mark each.

6. Highlight four factors that determine the amount of money held for precautionary purposes. (4 marks)

Possibility of sickness. ✓
Possibility of accidents. ✓
Need for sudden travel. ✓
Funeral expenses. ✓
Urgent repairs. ✓
Emergency school payments. ✓
Uncertainty of the future. ✓
Maximum 4 marks
Award 1 mark each.

7. A small business owner uses money responsibly in running the business. Identify four ethical practices related to the use of money. (4 marks)

Honesty. ✓
Keeping proper records. ✓
Giving correct change. ✓
Avoiding overpricing. ✓
Giving accurate information. ✓
Avoiding fraud. ✓
Responsible use of money. ✓
Maximum 4 marks
Award 1 mark each.

8. A shopkeeper in a local market received a Ksh 1,000 note from a customer. State four security features the shopkeeper may check to confirm that the note is genuine. (4 marks)

Watermark. ✓
Security thread. ✓
See-through feature. ✓
Serial numbers. ✓
Raised print. ✓
Colour and design. ✓
Value of the note. ✓
Word “Kenya”. ✓
Edge bars. ✓
Golden band. ✓
Maximum 4 marks
Award 1 mark each.

9. **A family has realized that the prices of food, transport and rent have increased. Outline four effects this may have on the family's use of money. (4 marks)**

They will need more money to buy the same goods. ✓
Their cost of living will increase. ✓
The value of their money will fall. ✓
Their savings may lose value. ✓
They may reduce spending on some items. ✓
They may prioritize basic needs. ✓
They may find it harder to meet daily expenses. ✓
Maximum 4 marks
Award 1 mark each.

10. **Study the picture below showing a form of trade. Outline four problems that may be experienced in this form of trade. (4 marks)**

Double coincidence of wants is required. ✓
Some goods may be indivisible. ✓
Some goods may be perishable. ✓
There is no standard measure of value. ✓
It is difficult to store wealth. ✓
It is difficult to make future payments. ✓
It may be difficult to agree on the value of goods exchanged. ✓
Maximum 4 marks
Award 1 mark each.

11. **State four factors that may determine the demand for money in an economy. (4 marks)**

Level of income. ✓
Price level. ✓
Size of family or household. ✓
Future expectations. ✓
Availability of credit. ✓
Frequency of income. ✓
Business size. ✓
Investment opportunities. ✓
Maximum 4 marks
Award 1 mark each.

SECTION B (Answer all the questions in this section)

12(a). Explain five ways in which a business can reduce or avoid a budget deficit. (10 marks)

Increase sales – More sales increase business income and reduce the shortage of funds. ✓
Reduce unnecessary expenses – Cutting non-essential costs lowers total expenditure. ✓
Look for cheaper suppliers – Buying from cheaper suppliers reduces the cost of stock or materials. ✓
Improve debt collection – Collecting money from debtors increases available cash. ✓
Avoid wastage – Proper use of resources reduces unnecessary costs. ✓
Prepare realistic budgets – Accurate estimates help the business avoid unexpected deficits. ✓
Keep proper financial records – Good records help in planning income and expenditure correctly. ✓
Borrow only when necessary – This reduces interest and repayment burdens. ✓
Increase owner's capital – Additional capital can help finance business activities. ✓
Delay non-urgent purchases – Postponing less important spending helps conserve cash. ✓
Improve stock control – Good stock control prevents overstocking, understocking and losses. ✓
Review prices – Adjusting prices carefully may increase income. ✓
Maximum 10 marks
Award 2 marks each.

(b). **Baraka Traders had an opening cash balance of Sh. 10,000 on 1st January. During January, February and March, the business expected cash sales of Sh. 70,000, Sh. 85,000 and Sh. 95,000 respectively. Rent received was expected to be Sh. 10,000 in January, Sh. 10,000 in February and Sh. 15,000 in March. The business also expected to pay for purchases amounting to Sh. 35,000 in January, Sh. 50,000 in February and Sh. 40,000 in March. Wages were expected to be Sh. 15,000 each month. Electricity expenses were expected to be Sh. 5,000 in January, Sh. 8,000 in February and Sh. 7,000 in March, while transport expenses were expected to be Sh. 10,000, Sh. 12,000 and Sh. 8,000 respectively. Prepare a three-month cash budget for Baraka Traders showing opening balance, total receipts, total payments and closing balance for each month. (10 marks)**

Details	**January Sh.**	**February Sh.**	**March Sh.**
Opening balance	10,000	25,000	35,000
Cash sales	70,000	85,000	95,000
Rent received	10,000	10,000	15,000
Total receipts	80,000	95,000	110,000
Total cash available	90,000	120,000	145,000
Purchases	35,000	50,000	40,000
Wages	15,000	15,000	15,000
Electricity	5,000	8,000	7,000
Transport	10,000	12,000	8,000
Total payments	65,000	85,000	70,000
Closing balance	25,000	35,000	75,000

Correct opening balance shown. ✓
Cash sales correctly entered for the three months. ✓
Rent received correctly entered for the three months. ✓
Total receipts correctly calculated for each month. ✓
Total cash available correctly calculated for each month. ✓
Purchases correctly entered for the three months. ✓
Wages correctly entered for the three months. ✓
Electricity and transport correctly entered for the three months. ✓
Total payments correctly calculated for each month. ✓
Closing balances correctly calculated and carried forward. ✓
Maximum 10 marks
Award 1 mark each.

13(a). Explain five services rendered by commercial banks to traders. (10 marks)

Accepting deposits – Banks allow traders to deposit business money safely. ✓
Providing loans – Banks lend money to traders for buying stock, equipment or expanding the business. ✓
Making payments – Banks help traders pay suppliers, workers, rent and other expenses. ✓
Receiving payments – Banks help traders receive money from customers through transfers, cheques or cards. ✓
Providing bank statements – Banks give records of deposits, withdrawals and payments for business accounting. ✓
Offering safe keeping services – Banks protect traders' money from theft, loss or misuse. ✓
Providing business advice – Banks may advise traders on saving, borrowing and financial management. ✓
Supporting digital banking – Banks help traders use mobile and online payments in business. ✓
Maximum 10 marks
Award 2 marks each.

(b). A business owner is deciding whether to produce goods for own use or produce goods for sale. Explain five differences between direct production and indirect production. (10 marks)

Purpose – Direct production is done for own use, while indirect production is done for sale or exchange. ✓
Consumer – In direct production the producer is also the consumer, while in indirect production the goods or services are meant for other people. ✓
Exchange – Direct production involves little or no exchange, while indirect production involves trade or exchange. ✓
Specialization – Direct production may involve little specialization, while indirect production often encourages specialization. ✓
Scale of production – Direct production is usually small-scale, while indirect production may be carried out on a larger scale. ✓
Income generation – Direct production may not directly earn income, while indirect production is mainly carried out to earn income or profit. ✓
Market involvement – Direct production does not depend much on the market, while indirect production depends on buyers and sellers. ✓
Maximum 10 marks
Award 2 marks each.

14(a). A business is preparing to set new goals after studying its internal and external environment. Explain five ways in which SWOT analysis may help the business in goal setting. (10 marks)

It helps identify strengths – The business can use its internal advantages to set achievable goals. ✓
It helps identify weaknesses – The business can set goals to correct internal problems. ✓
It helps identify opportunities – The business can set goals that take advantage of external chances for growth. ✓
It helps identify threats – The business can prepare goals that reduce the effect of external challenges. ✓
It helps the business set realistic goals – Goals are based on the real position of the business. ✓
It helps in planning – The business can plan better after knowing its strengths, weaknesses, opportunities and threats. ✓
It helps in resource allocation – Resources can be directed to areas that need improvement or growth. ✓
It helps reduce risks – The business can prepare for challenges before they affect performance. ✓
Maximum 10 marks
Award 2 marks each.

(b). A business owner wants to maintain trust when handling customers' money. Explain five ethical practices that should be observed when using money in financial transactions. (10 marks)

Honesty – A person should be truthful when handling money. ✓
Keeping proper records – A business should record all money received and spent. ✓
Budgeting before spending – A person should plan how to use money before spending it. ✓
Saving money – People should save part of their money for future needs. ✓
Borrowing responsibly – A person should borrow only what they can repay. ✓
Paying debts on time – A borrower should repay money as agreed. ✓
Avoiding fraud – People should not cheat others in financial transactions. ✓
Avoiding wastage – Money should be used on important needs before luxuries. ✓
Giving accurate information – Sellers should not lie about prices, balances, discounts or payments. ✓
Prioritising basic needs – Money should first be used on important needs such as food, shelter, clothing, education and health. ✓
Maximum 10 marks
Award 2 marks each.