BUSINESS STUDIES GRADE 10

OPENER EXAM TERM 2 2026

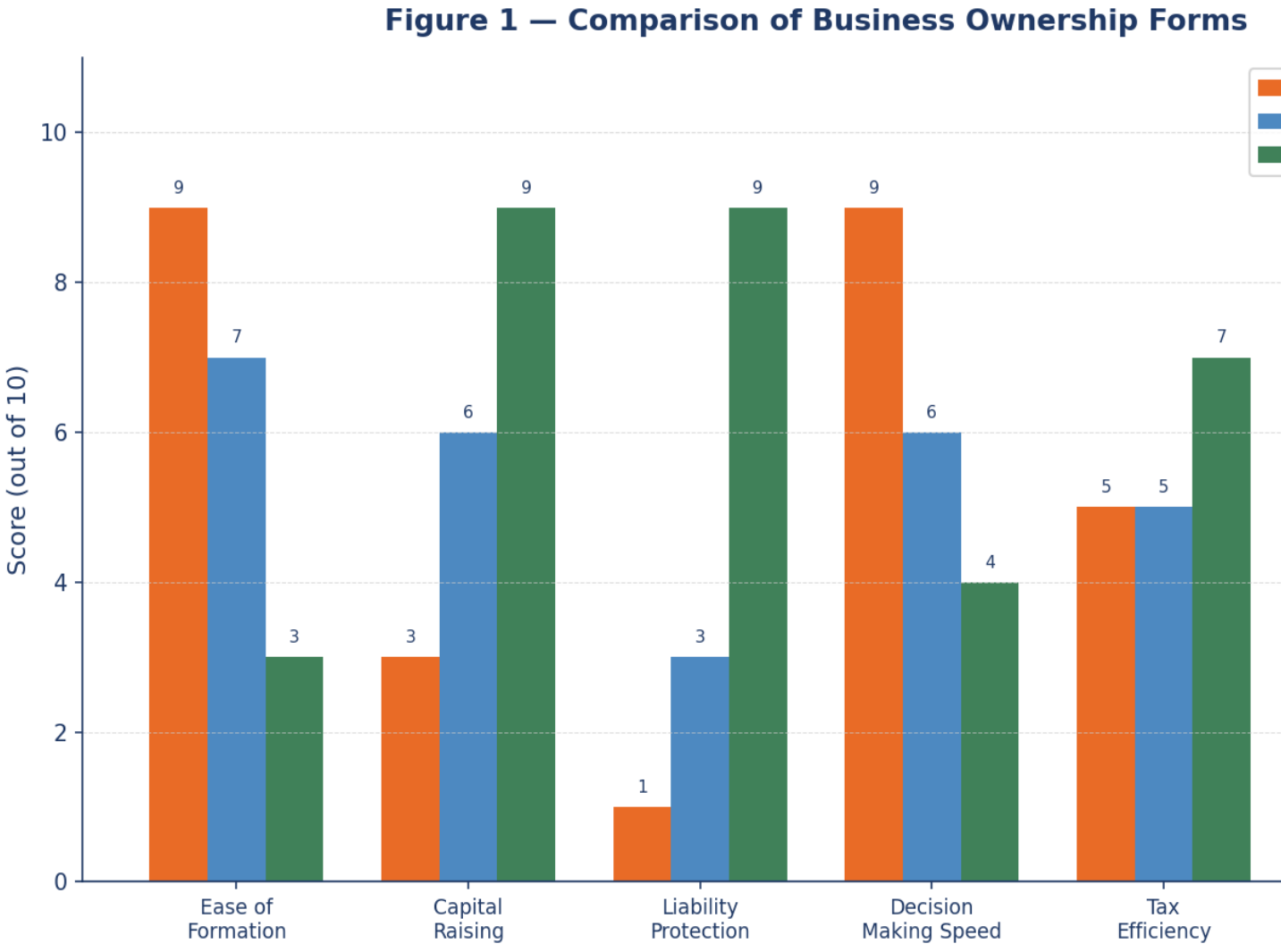
NAME……ADM NO……

DATE……SIGN……..

INSTRUCTIONS TO CANDIDATES

1. ***Write your name, admission number and class in the spaces provided above.***
2. ***Answer ALL questions in ALL four sections.***
3. ***Show all working clearly where calculations are required.***
4. ***Calculators may be used but must not be shared.***

1.Study Figure 1, which compares different forms of business ownership, and answer all questions.



(a) Define the term 'sole proprietorship' and state THREE advantages of this form of business ownership. *(4 marks)*

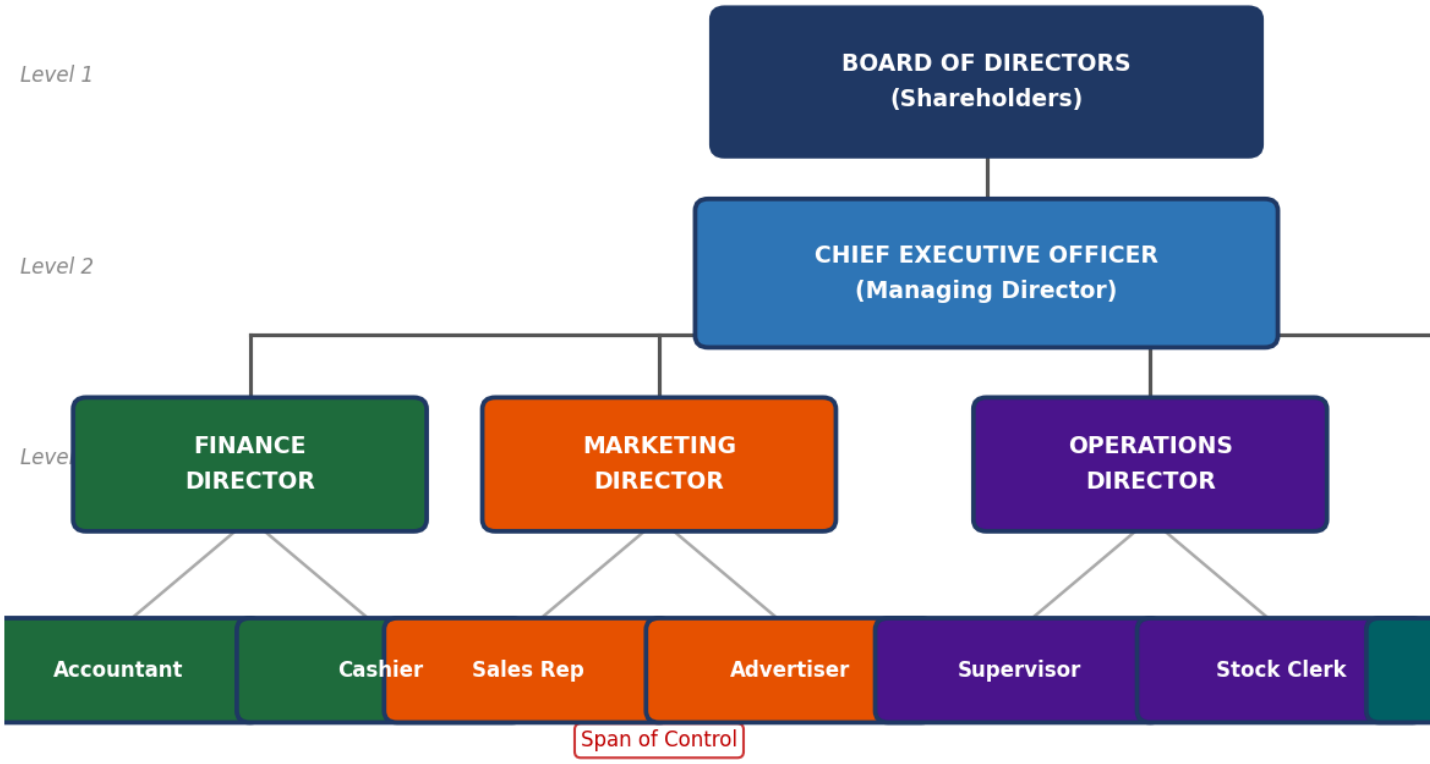
(b) Using Figure 1, explain why a limited company scores higher than a sole proprietorship on 'Capital Raising' but lower on 'Decision Making Speed'. *(3 marks)*

(c) Distinguish between a private limited company (Ltd) and a public limited company (PLC), giving TWO differences. *(2 marks)*

(d) State ONE legal document required to form a limited company and briefly describe its purpose. *(1 mark)*

2.Figure 2 shows the organisational structure of a manufacturing company. Study it carefully and answer the questions below.

Figure 2 — Hierarchical Organisational Structure of a Limited



(a) Define the term 'span of control' and identify the span of control of the Finance Director in Figure 2. *(2 marks)*

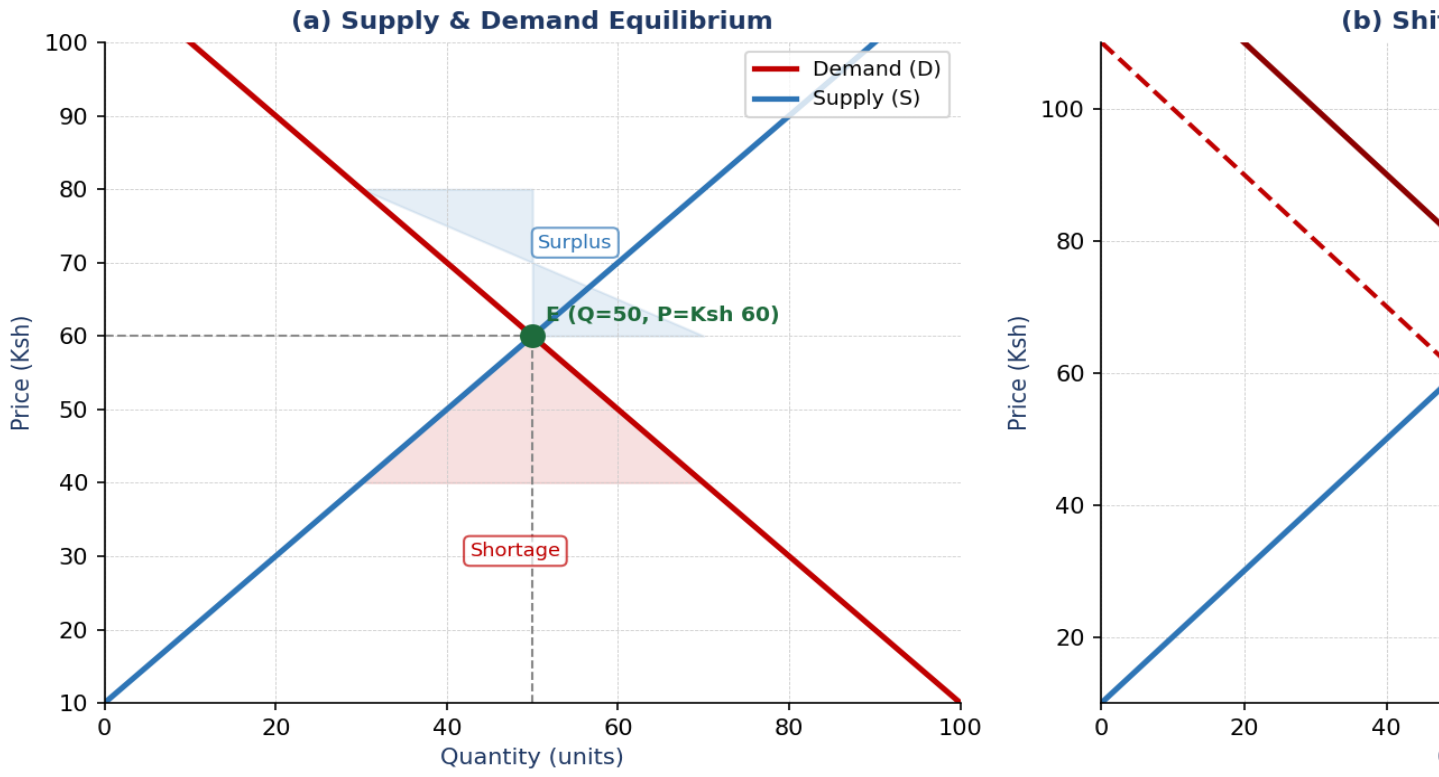
(b) State THREE advantages of using a hierarchical organisational structure for a large business. *(3 marks)*

(c) Explain the difference between 'delegation' and 'accountability' in the context of the organisation in Figure 2. *(2 marks)*

(d) Identify ONE department from Figure 2 and describe TWO specific functions it performs to support the business. *(3 marks)*

3.Study Figure 3, showing supply and demand curves, and answer the questions that follow.

Figure 3 — Supply and Demand Analysis



(a) State the Law of Demand and the Law of Supply. *(2 marks)*

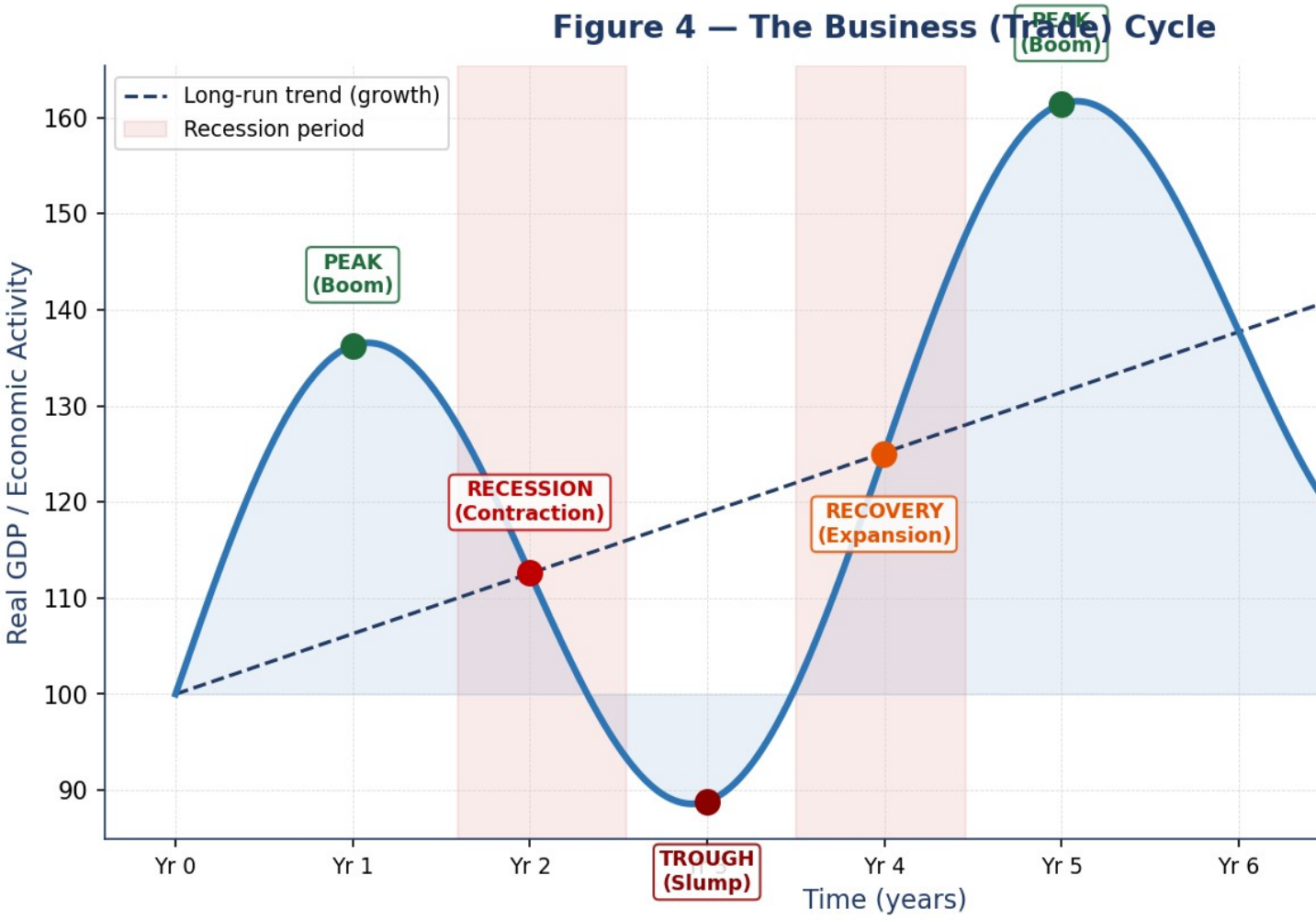
(b) Using Figure 3(a), identify the equilibrium price and quantity, and explain what would happen in the market if the price were set ABOVE the equilibrium price. *(3 marks)*

(c) Using Figure 3(b), explain what could have caused the demand curve to shift from D_1 to D_2 (rightward shift). Give THREE possible reasons. *(3 marks)*

(d) Calculate the price elasticity of demand (PED) given the following information and state whether demand is elastic or inelastic: *(2 marks)*

Item	Value
Original price	Ksh 50
New price	Ksh 40
Original quantity demanded	200 units
New quantity demanded	280 units

4.Study Figure 4, which shows the Business (Trade) Cycle, and answer all questions.



(a) Name and describe the FOUR main phases of the business cycle as shown in Figure 4. *(4 marks)*

(b) State THREE effects of a recession (downturn) on businesses and their employees. *(3 marks)*

(c) Explain how the government may use FISCAL POLICY to stimulate recovery from a recession. Give TWO specific examples of fiscal measures. *(3 marks)*

5.The following information relates to Zawadi Manufacturers Ltd for the year ended 31 December 2025. Study Figure 6 — the completed Trading, Profit & Loss Account — and answer the questions.

Figure 6 — Trading, Profit & Loss Account

ZAWADI MANUFACTURERS LTD

Trading, Profit & Loss Account for the Year Ended 31 December 2025

Particulars	Ksh	Ksh
Sales (Revenue)		
Less: Cost of Goods Sold		
Opening Stock		45,000
Add: Purchases		420,000
Less: Closing Stock		(55,000)
Cost of Goods Sold		
GROSS PROFIT		
Less: Expenses		
Salaries & Wages		120,000
Rent & Rates		36,000
Advertising		18,000
Depreciation		24,000
Electricity		12,000
Miscellaneous		10,000
Total Expenses		
NET PROFIT		

(a) Define the following terms as used in the Profit & Loss Account: *(3 marks)*
(i) Cost of Goods Sold (COGS) (ii) Gross Profit (iii) Net Profit

(b) Using the figures in Figure 6, calculate the Gross Profit Margin (GPM) and Net Profit Margin (NPM) for Zawadi Manufacturers Ltd. *(4 marks)*

(c) Calculate the following additional financial ratios using Figure 6 data: *(3 marks)*

(i) Expenses-to-Sales Ratio

6.Study Figure 7, the Balance Sheet of Zawadi Manufacturers Ltd as at 31 December 2025, and answer the questions.

Figure 7 — Balance Sheet (Statement of Financial Position)



ZAWADI MANUFACTURERS LTD — Balance Sheet as at 31 December 20

ASSETS		EQUITY & LIABI	
NON-CURRENT ASSETS		**OWNER'S EQUITY**	
Land & Buildings	Ksh 350,000	Share Capital	
Plant & Machinery	Ksh 180,000	Retained Earnings	
Motor Vehicles	Ksh 90,000	Net Profit (current yr)	
Total Non-Current Assets	**Ksh 620,000**	**Total Equity**	
CURRENT ASSETS		**CURRENT LIABILITIES**	
Inventory (Stock)	Ksh 55,000	Trade Payables (Creditors)	
Trade Receivables (Debtors)	Ksh 72,000	Bank Overdraft	
Cash & Bank Balance	Ksh 38,000	**Total Current Liabilities**	
Total Current Assets	**Ksh 165,000**		
		TOTAL EQUITY & LIABILITIES	
TOTAL ASSETS	**Ksh 785,000**		

Assets = Equity + Liabilities ✓ Ksh 785,000 = Ksh 785,000

(a) State the accounting equation and verify it using the figures from Figure 7. *(2 marks)*

(b) Calculate the following liquidity ratios using Figure 7: *(4 marks)*

(i) Current Ratio

(ii) Working Capital

(iii) Debt-to-Equity Ratio

(c) Explain the difference between a NON-CURRENT asset and a CURRENT asset, giving TWO examples of each from Figure 7. *(2 marks)*

(d) State TWO ways a business can improve its working capital position. *(2 marks)*

7.Study Figure 8 and answer the questions that follow.

Figure 8 — The Marketing Mix (4 Ps)



(a) Define 'marketing' as a business function and explain why it is important to a business. *(2 marks)*

(b) Using Figure 8, explain how a manufacturer of a new energy drink would apply the '4 Ps' of the marketing mix. Give a specific strategy for each 'P'. *(4 marks)*

(c) Distinguish between PRIMARY market research and SECONDARY market research. State ONE advantage and ONE disadvantage of each. *(2 marks)*

(d) State TWO factors that influence consumer buying behaviour. *(2 marks)*

8.(a) Define 'entrepreneurship' and state FOUR characteristics of a successful entrepreneur. *(3 marks)*

(b) A student wants to start a small business selling handmade jewellery. Outline the FOUR main sections that should be included in a business plan and briefly explain the purpose of each. *(4 marks)*

(c) Explain what is meant by 'business ethics' and give TWO examples of unethical business practices. *(2 marks)*

(d) Complete the SWOT Analysis table below for a small local supermarket facing competition from a large international chain store moving into the area. *(1 mark)*

STRENGTHS (Internal +)	**WEAKNESSES (Internal −)**
e.g. Good customer service ...	
OPPORTUNITIES (External +)	**THREATS (External −)**
	e.g. New large competitor ...