Set1
565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

INSTRUCTIONS TO CANDIDATES

- *Write your name and Index Number in the spaces provided above.*
- *Sign and write date of examination in the spaces provided above.*
- *Answer **ALL** questions in the spaces provided.*
- *All workings **MUST** be clearly shown where necessary.*

For Examiners use only.

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

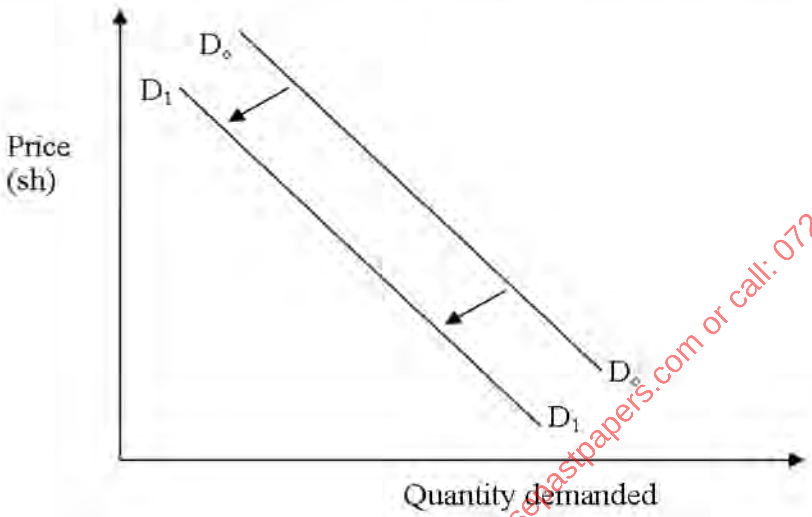
Total Marks	

1. State **four** characteristics of services. (4mks)

2. Outline **four** reasons why most developing countries rely on extractive Level of production (4mks)
3. Highlight **four** benefits to a business that uses e-mail in communication. (4mks)
4. Mention **four** factors that influence entrepreneurship practices in Kenya. (4mks)
5. Classify the following factors of a business as either internal or external business environment. **(Use a tick)** (4mks)

Factor	Internal	External
(a) Employees		
(b) Tools and equipments		
(c) Inflation		
(d) Political factor		

6. The diagram below shows a shift of the demand curve of a commodity Yfrom D_oD_o to D_1D_1.



Outline **four** factors that may have caused the shift in the demand curve. (4mks)

7. Outline **four** circumstances under which producers may prefer to sell goods directly to the consumer. (4mks)
8. State the type of unemployment to which each of the following statements relate.(4mks)

Statement	**Type of unemployment**
a) Worker's full capabilities are not completely utilized.	
b) High demand for labour during Peak Period	
c) Demand for labour declines due to decrease in the supply of goods and services	
d) Exists in the period after a person looses a job and goes out in search of another.	

9. . **State** the books of original entries in which the following documents are used. (4 mks)
   (a) Incoming Invoice
   (b) Incoming Receipt
   (c) Outgoing Credit Note
   (d) Outgoing Invoice
10. Write the following abbreviations in full. (4mks)
   (i) G.D.P

(i) N.N.P
(i) G.N.P
(i) D.P.I

11. The document shown was issued by Jimcar traders to Mueni

Jimcar Traders Box 5 Nakuru To. Mueni Box 20 Kericho	No. 012 Date: 20^{th} June 2010	
We have credited your account as follows.	Amount	
	Sh	Cts
To copies of receipt books returned by you to us.	15,000	00
	15,000	00
Sign_______________ Total		

Outline **four** circumstances under which the above document may be issued. (4mks)

12. The following balances were extracted from the books of Loliondo enterprises as at 6^{th} Jan 2009.

(4mks)

	Sh.
Land	150,000
Prepaid Insurance	85,500
Discount received	5,500
Sales	5,000
Purchases	18,000
Capital	311,000
Return Inwards	20,000
Return outwards	6,000
Creditors	1,500
Bank	55,000

Required: Prepare a trial balance.

13. Highlight **four** negative effects of development to an economy. (4mks)

14. The following information relates to Rokito traders for the year ended 31^{st} December 2011.

	Sh.
Fixed Assets	5,000,000
Current assets	650,000
Net Profit	300,000
Current Liabilities	650,000
Sales	2,000,000
Closing stock	100,000
Opening Stock	200,000

Gross Profit Margin was 20%

(4mks)

Calculate

(a) Current ratio
(b) Gross profit mark-up

(c) Rate of stock turnover
(d) Capital employed

15. Outline **four** differences between **Savings account** and **Current account** as provided by commercial banks.

Savings account	Current account
(i)	
(ii)	
(iii)	
(iv)	

16. The inflation rate in Kenya moved up from 6.4% to 9.5%. State four positive outcome of this change. (4mks)

17. Name the **four** ways through which consumers can be cheated in their dealings with traders (4mks)

18. The following correspondence has been received in the mail room, state the department to which each correspondence would be sent. (4mks)

Correspondence	Department
(i) An invoice from a creditor	
(ii) A cataloque from a supplier	
(iii) A letter of application for job	
(iv) A complaint from a customer	

19. Outline **four** circumstances under which a sole – proprietorship may be dissolved (4mks)

20. Wanjau started a business with sh. 60,000 as at 1st Jan 2010. During the year profits and additional investments were sh. 50,000 and 60,000 respectively.
At the end of the year Wanjau remembered that she had taken goods for her personal use and that as at 31st Dec.2010 her capital was sh. 19,500.
Determine the value of goods that Wanjau had taken for her personal use.(4mks)

21. Highlight **four** factors that may be considered by an insurance firm before determining Premiums to be charged for life assurance policy. (4mks)

22. State **four** circumstances under which it would be appropriate to use signs to communicate in carrying out business activities.

23. Identify **four** limitations of human porterage as a means of transport.

24. State **four** factors to consider before incurring public expenditure.

25. Give **four** current trends in product Promotion. (4mk)

Set1
Paper 2

1. (a) Explain **five** reasons why it is important for a business person to prepare a business plan. (10marks)

   (b) Explain **five** features that differentiate a perfect competition market from a monopoly market structure. (10marks)

2. (a) Explain **five** features that would make a producer to build his own warehouse rather than rely on a public one. (10marks)

   (b) As at 1st July 2008 the cash book of Emori enterprise showed the following balances:
   Cash sh.20, 000 and a bank overdraft sh. 8,600.
   During the Month the following transactions took place.
   3/07/08: Nafula settled her account of sh. 16,000 by cheque of sh. 15,000
   6/07/08: Paid rent by cash sh. 8,000
   10/07/08: Deposited sh. 6,000 into the business bank account from the cash till
   15/07/08: Settled Wakulis account of sh. 20,000 and he allowed a discount of 1% by cheque.
   18/07/08: Deposited sh. 28,000 in the bank from private sources.
   21/07/08: Cash sales sh. 12,000
   24/07/08: Otieno a debtor settled his account by cheque of sh. 8,000 having been allowed a discount of 20%.
   26/07/08: Purchased furniture of sh. 5,200 paying by cheque.
   28/07/08: Received sh. 3,600 cash from Nduta.
   30/07/08: Banked the cu crilable cash except sh. 1,600.

   Required:
   Draw up a three – column cash book. (10marks)

3. (a) Explain **five** challenges that may be experienced by a new entrepreneur who is intending to start a business in Kenya. (10marks)

   (b) Ijara investiment operates a whole sale business. The following transactions took place in the Month of may 2010.
   May 3: Sold goods on credit to Ayimba sh. 60,000.
   May 8: Purchased goods on credit from mjuaji stores sh. 120,000.
   May 12: Returned goods to Mjuaji stores worth sh. 6,000.
   May 16: Purchased goods on credit from Mjuaji stores sh. 160,000.
   May 22: Sold on credit to Mafala retailers sh. 150,000.
   May 23: Bought a new motor vehicle from Mashariki motors worth sh. 3,200,000.
   May 24: Ayimba returned goods worth sh. 10,000.
   May 29: Sold equipment worth sh. 840,000 on credit to chap limited.

   Required:
   Record the above transactions in the relevant books of original entry for Ijara Investments (10marks)

4. (a) Explain **five** importance of National Income statistics to an economy. (10 marks)

   (b) Explain **five** principles of an efficient tax system. (10 marks)

5. (a) Explain any **five** circumstances under which a producer will find it necessary to transport goods by train. (10 marks)

   (b) Explain **five** advantages of being a member of an Economic block such as the East African Community (E.A.C) to a country like Kenya. (10 marks)

6. (a) Explain **five** ways in which the government may positively influence business activities to a given area. (10 marks)

(b) Despite announcement by the government that the country has achieved 6% economic growth this has not been translated to economic development. Discuss **five** indicators of undevelopment currently being experienced in Kenya. (10 marks)

Set2

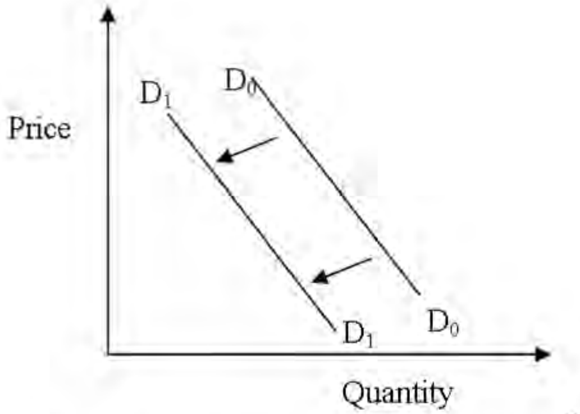
565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

Answer all the questions in the spaces provided.

1. Highlight four factors that determine the size of a firm. (4mks)
2. Outline four reasons for collapse of small scale business units (4mks)
3. Highlight four disadvantages of news papers as a means of advertising (4mks)
4. Outline any four difficulties faced when satisfying human wants. (4mks)
5. Give four reasons for popularity of consumer parcel service (4mks)
6. State four benefits that people from your area may deceive from business enterprise (4mks)
7. Juma Munyacia sells all his goods at 25% above cost. His books gave the following information
   as at 31st December 2004.
   Stock 1st January 2004 98,720
   Stock 31st December 2004 126,000
   Sales for the year 600,000
   Calculate the profit made by Munyalia (4mks)
8. Highlight four reasons why a country would rely more on primary level of production. (4mks)
9. Highlight four ways in which commercial banks differ from non-bank Financial institutions. (4mks)

Commercial banks	Non- bank financial institution

10. Outline four essential of a bill of exchange (4mks)
11. Outline four ways in which the government protects consumers (4mks)
12. Enumerate four features of a general insurance policy (12mks)
13. Highlight four factors that a trader would consider in locating a warehouse. (4mks
14. Highlight four factors that a trade would consider in locating a warehouse. (4mks)
15. The figure below shows a shift in demand curve from D_0D_0 to D_1D_1.State four factors that have caused the shift. (4mks)



16. State four reasons why the government imposes taxes (4mks)

17. The following assets and liabilities belong to Munyasia stores as at 31st Marc h 2005.
Buildings sh 200,000, Debtors sh 8,000, creditors sh 32,000, stock sh24,000, call at bank sh 120,000, cash in hand sh 40,000 loan from HFCK sh 100,000 and capital sh 260,000.
During the month of April 2005 the following transactions took place
April 1 – sold goods worth sh 2100 cash
2 – Paid creditors sh 8000 cash
10 – Received sh 2000 from debtors cash.
15 – Bought a motor van sh 350,000 paying by cheque.
Prepare a balance sheet as at 15th April 2005 (5mks)

18. Outline four advantages of partitioned office layout (4mks)

19. The following information relates to Alex traders .Determine the missing figures (3mks)

	Assets	capital	Liability
(a)	50,000	________	2000
(b)	320,000	126,550	________
(c)		15,431	600

20. Highlight four difficulties encountered in international trade (4mks)

21. Complete the table below

Transaction	Account to be debited	A/C to be credited
(a) Deposited money into the bank account.		
(b) Paid salaries buy cheque		

22. State four problems encountered when measuring national income by expenditure approach. (4mks)

23. For each of the following transactions indicate in the appropriate columns the source documents and the books of original entry in which the transactions should be recorded.

Transaction	Source document	Book of original entry
(a) Goods retained by a customer		
(b) Purchase of goods on credit		

24. State the level of production in each of the following activities. (4mks)

Activity	Level of production
(a) Cooking meals for students	
(b) Harvesting maize	
(c) Distribution of kerosene	
(d) Boiling milk using electricity.	

25. Globalisation is a term often used to donate business ownership and spread .Outline four merits of globalization of business units.

Set2

Paper 2

1. (a) Discuss any five weaknesses of using per capita income to measure standards of living in a country. (10mks)

   (b) Explain any five negative consequences of a rapidly increasing population.(10mks)

2. (a) Draw five differences between perfect competition and monopolistic competition (10mks)

   (b) Explain five reasons why the Kenyan government would privatise its palatals (10mks)

3. (a) Describe four circumstances that would influence a produce to distribute his farm produce directly to the market. (8mks)

   (b) The following trial balance was extracted from the books of Bumala traders on 31st Dec 2011

Trial Balance

Bumala Traders

	Dr (shs)	Cr(shs)
Sales		720,000
Purchases	340,000	
Returns	20,000	18,000
Rent	16,000	
Advertising	24,000	
Commission		9,000
Debtors / creditors	54,000	64,000
Stock 1/1/2011	60,000	
Insurance	30,000	
Drawings	40,000	
Furniture / fittings	100,000	
Cash in hand	15,000	
Premises	400,000	
Capital		288,000
	1,099,000	1,099,000

Additional information;

(i) Stock as at 31st December 2011 shs 52,000

(ii) Rent accrued shs. 6,000

(iii) Insurance paid in advanced sh.4,000

(iv) Commission due shs.5,000

(v) Salaries along shs.21,000

Required;

(a) Trading, profit and lost account for the year ended 31st December 2011.

(b) Balance sheet as at that date (12mks)

4. (a) Highlight five reasons why loans advanced by commercial banks in Kenya may not appeal to many people. (10mks)

(b) Describe the main economic problems that affects countries which mainly rely on Agriculture. (10mks)

5. (a) Explain five roles of the Nairobi stock Exchanged market in the Kenyan economy. (10mks)

(b) Explain the benefits of the new East African cooperation to Kenya. (10mks)

6. (a) The following balances were obtained from the books of Nakhulo Traders on 31st Dec 2011

	Shs.
Opening stock	60,000
Equipment at cost	125,000
Accumulated depreciation on equipment	16,200
Purchases	161,000
Sales	208,000
Land and building	100,000
Discount received	7,500
Returns outwards	25,000
Returns inwards	27,000
Salaries	22,000
Telephone charges	5,000
Water bills	2,100
Creditors	15,000
Debtors	21,000
Electricity expences	2,000
Bank	68,000
Cash in hand	12,000
Drawings	19,000
Insurance paid	1000

Additional information

(i) Closing stock was valued at sh.72,000

(ii) Telephone charges prepaid shs.1100

(iii) Outstanding water bill shs. 1300

(iv) Depreciation on equipment is 10% on cost carried inwards shs.11,000, carried outwards shs.10,000

Prepare;

Trading, profit and loss account for year ended 31st Dec 2011.

(b) Explain five factors that make indirect taxes preferable to direct taxes as a means of raising government revenue. (10mks)

Set3 565/1

BUSINESS STUDIES

THEORY

Paper 1

2 Hours

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1. Highlight **four** factors that may cause changes in the population of an area. (4 marks)
2. Businesses should give something back to the communities in which they operate. State **four** parties that a business should show social responsibility to. (4 marks)
3. State **four** features of indirect production. (4 marks)
4. Mention **four** factors that are considered in an office layout. (4 marks
5. State **four** emotional qualities of an office worker. (4 marks)
6. Highlight **four** features of open air market traders. (4 marks)
7. Outline **four** information which is disclosed in a statement of account. (4 marks)
8. In the absence of a written partnership agreement, the provisions of the Partnership Act will apply. State **four** such provisions. (4 marks)
9. Describe **four** ways in which the government creates an enabling business environment. (4 marks)
10. State **four** elements of communication process. (4 marks)
11. Mention **four** circumstances under which an insurance company may re-insure. (4 marks
12. State **four** ethical issues in product promotion. (4 marks)
13. Highlight **four** adverse effects of production activities on the environment and community health. (4 marks)
14. State **four** ways of determining prices for commodities in the market. (4 marks)
15. Outline **four** factors that influence the level of national income in a country. (4 marks)
16. Prepare the balance sheet of Baraka Traders from the following list of balances extracted from his books as at 31st December 2005. (4 marks)

	Shs.
Machine	150 000
Motor vehicles	200 000
Stock	40 000
Creditors	25 000
Loan from KCB	100 000
Bank	20 000
Furniture	7 000
Capital	292 000

17. The capital A/C of Mbele Kabisa Traders showed a balance of shs 50,000 as at 1st July 2004. For the year ended June 2005 the following information was available: (4 marks)
    a) Proprietor brought in a personal car worth sh. 80 000 for business use.
    b) Net profit amounted to sh. 64 000.
    c) The proprietor withdrew sh. 32 000 cash for personal use.

    Prepare the capital A/C as at 30th June 2005
18. List **four** types of source documents. (4 marks)
19. State **four** principles of a good tax system. (4 marks)
20. Mention **four** problems faced when computing price indices (CPI). (4 marks)
21. The following trial balance was prepared by a book keeper but failed to balance.

Majengo Traders

Trial Balance
As at 30th June 2003

	Dr Shs	Cr shs
Fixed Assets		250,000
Purchases		80,000
Sales		120,000
Creditors		45,000
Debtors		22,000
Stock		60,000
Capital	247,000	
	449,000	375,000

Prepare a corrected trial balance. (4 marks)

22. Highlight any **four** services offered by commercial banks to their clients. (4 marks)

23. Outline **four** circumstances under which a company may be dissolved. (4 marks)

24. The conditions given below are for a monopoly firm or a firm operating under perfect competition. Write the correct market structure against each of the conditions in the spaces provided. (4 marks)

Condition	Market structure
a) Market structure determines price for the product	
b) There is free entry and exit.	
c) Product involved is homogeneous	

25. Market structure regulates supply of the product

26. State **four** reasons why parastatals have generally performed poorly in Kenya. (4 marks)

Set3
Paper 2

1. a) Explain **five** reasons why per capital income is not an indicator of better living standards in a country. (10 marks)

   b) The table below shows the terms of trade for country A from year 2006 to 2009.

Year	Terms of Trade (%)
2006	80
2007	77
2008	74
2009	68

Explain **five** factors that may have accounted for the trend in terms of trade of country A. (10 marks)

2. a) Explain **five** circumstances under which a high population growth may be
3. desirable to a country. (10 marks)

   b) Insurance is based on several principles: Explain **five** principles of insurance. (10 marks)

4. a) Explain **five** factors that influence the amount of money held by an individual for transaction motive. (10 marks)

   b) Outline **five** circumstances under which signs may be used in communication.(10 marks)

5. a) Explain **four** reasons why motor cycles form of transport has become a popular means of transport in Kenya. (8 marks)

b) The following trial balance relates to Kitui Millers Ltd as at 31st December 2011.

Kitui Millers Ltd
Trial Balance
As 31st December 2011

Particulars	Dr shs	Cr shs
Capital		283,200
Drawings	8000	
Cash at Bank	30,000	
Machinery	360,000	
Debtors	42 700	
Creditors		20 000
Stock (1.1.2011)	40000	
Sales		570 000
Purchases	325 000	
Return inwards	10000	
Return onwards		15000
Carriage inwards	4000	
Carriage outwards	5000	
Rent	18000	
Salaries and wages	40000	
Discounts Received		9000
General expenses.	14,500	
	897 200	897 200

Stock as at 31/12/2011 was valued at shs. 35,000

Required:

i) Prepare a trading, profit and loss account for the year ended 31st December, 2011. (8 marks)

ii) Draw a balance sheet as at 31st December, 2011. (4 marks)

6. a) Discuss the economic importance of natural resources. (10marks)

b) Explain any **five** negative effects of inflation in an economy. (10 marks)

a) Explain **four** ways in which central bank of Kenya may reduce the supply of money in the country. (8 marks)

b) On 1st January 2012, Mlachake traders had cash in hand Ksh. 10,000 and cash at bank shs 15000. The following transactions took place during the month:

Jan 2: Bought goods in cash sh. 1500

Jan 4: Paid salaries by cash sh 7500.

Jan 5: Received cheques from the following debtors after allowing 2% discount in each case. Masy sh 980, kiplimo sh .1960.

Jan 8: Settled the following accounts by cheque in each case deducting 5 % discount; Juma sh 3000, Kasani shs 1200.

Jan 12: Bought machinery worth sh 7000, paid sh 5000 by cheque and the balance to be paid later

Jan 20: Took sh 1000 for personal use from the business cash till.

Jan 25: Cash sales sh 2000

Jan 26: Received cash shs.3000 from Kioko, a Debtor.
Jan 28: Brought in Sh 2000 cash from his personal savings.
Jan 29: Banked all cash except sh. 1000
Required: Prepare a duly balanced three column cashbook. (12 marks)

Set4

Paper 1 565/1
BUSINESS STUDIES
2 Hours

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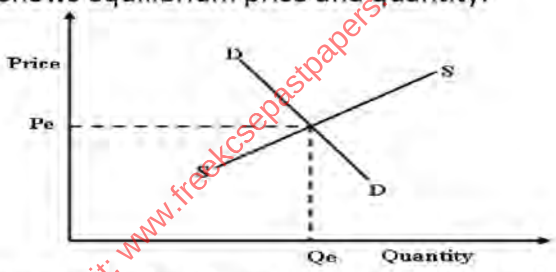
1. Identify the macro-environmental factor affecting business operations as described by the following statements. (4mks)
   (a) Laws and policies that regulate business activities
   (b) Affects buyer's ability to buy commodities offered by a business
   (c) Firms selling similar products trying to out do each other in their efforts to maximize profits
   (d) Dictates how people live and what products they consume
2. Give **four** reasons why discounts are granted. (4mks)
3. Highlight **four** factors that must be considered before incurring public expenditure (4mks)
4. State **four** measures that can be taken to control cost push inflation. (4mks)
5. Give **four** characteristics of a partnership (4mks)
6. The diagram below shows equilibrium price and quantity.



   Draw a new demand curve on the diagram above showing a decrease in demand and the effect on; (4mks)
   (i) equilibrium price
   (ii) equilibrium quantity
   (iii) equilibrium point
7. Give **four** reasons why it would be advisable to take an endowment policy instead of a whole life policy (4mks)
8. Highlight **four** disadvantages of a long chain of distribution to a buyer. (4mks)
9. Outline **four** differences between Economic growth and Economic development (4mks)

Economic growth	Economic development
a)	a)
b)	b)
c)	c)
d)	d)

10. Outline **four** limitations of National income statistics in comparing standards of living in different countries. (4mks)

11. Outline **four** features of Itinerant traders (4mks)

12. Identify the tax system described by the following statements. (3mks)
   (a) Tax payers pay a fixed percentage of their income as tax.
   (b) Amount of tax paid increases proportionately with increase in income
   (c) Type of tax which takes a higher proportion of low income earners as compared to high income earners

13. The following are some of the documents used in International trade; Proforma Invoice, Consular Invoice, Certificate of origin and Indent. Match each document with the Appropriate description in the table below. (4mks)

	Description	Document
(a)	Prepared by an exporter giving details about the origin of goods	
(b)	Shows prices charged as certified by the importing country's officials	
(c)	An order sent by an importer to an agent in the exporting country	
(d)	Enables the importer to initiate clearing of customs duty early enough to avoid delays.	

14. Outline **four** advantages of a systematic arrangement of goods in a warehouse. (4mks)

15. The information below was extracted from the books of Ssisa Stores for the year ended 31.12.2011

Opening stock sh.75,000
Closing stock sh.25,000
Turnover sh.900,000
Margin 25%

Determine: (5mks)
   (a) Gross profit
   (b) Rate of Turnover

16. The following Trial balance was obtained from the books of East Traders for the year ended 30.06.2011

East Traders
Trial Balance
As at 30.06.2011

Details	**Debit (Shs.)**	**Credit (Shs.)**
Gross profit		14,300
Rent	7,500	4,200
Bad debts	5,000	
Commission		3,500
Insurance	2,000	
Fixed Assets	13,500	
Capital		6,000
	28,000	28,000

Prepare East Stores profit and loss account (4mks)

17. State **four** ways in which the government may promote local trade. (4mks)

18. Outline **four** features of oligopoly as a market structure (4mks)

19. For each of the following transactions identify the book of original entry in which the transaction should be recorded.

	Transaction	Book of Original entry
(a)	Goods worth sh.4,000 returned by a client	

(b)	Goods were purchased for sh.120,000 on credit	
(c)	Returned goods worth sh.6,200 to the supplier	
(d)	Sale of office furniture worth sh.80,000 on credit	

20. Outline **four** circumstances under which sign language would be appropriate. (4mks)
21. Outline **four** effects of an ageing population. (4mks)
22. Highlight **four** factors that inhibit entrepreneurial development. (4mks)
23. Outline **four** unethical issues in product promotion (4mks)
24. Give **four** incertives that a government may give investors to encourage development of firms in a certain area. (4mks)
25. Highlight **four** advantages of using M-banking. (4mks)

Set4

Paper 2

1. (a) Businesses are adopting new technology in their operations. Explain five limitations of adoption of this practice. (10mks)
   (b) Explain five reasons for trade restrictions (10mks)
2. (a) Moto Moto Limited operates as a monopolist. Explain five possible factors that may have made this firm acquire monopoly power. (10mks)
   (b) Explain five factors that may affect Economic planning process. (10mks)
3. (a) Describe five tools that the government uses to arrest a run away inflation (10mks)
   (b) Unemployment is a problem in any economy in the world. Explain five measures that the Kenyan government may take to reduce this problem. (10mks)
4. (a) Mr. Kisuiya insured his house with an Insurance company for sh.1,000,000. After some months Mr. Kisuiya's house was completely destroyed by fire. Highlight five reasons which may make the Insurance company not to compensate Mr. Kisuiya (10mks)
   (b) Highlight any five distinguishing characteristics between a public limited Company and a public corporation. (10mks)
5. (a) The following balance sheet was extracted from the books of Kirui traders on 1st April 2011.

Mrs. Kirui Traders
Balance Sheet
As at 1st April 2011

	Shs.		Shs.
Equipment	200,000	Capital	415,000
Furniture	82,000	Mutai (Creditor)	27,000
Stock	140,000		
Cash	20,000		
	442,000		442,000

The following transactions took place during the month of April 2011.

4.04.2011 Mrs Kirui sold her personal assets for sh.30000 receiving payment by Cheque which she invested in the business.

10.04.201 She purchased goods for sh.29000 on credit from Mutai

19.04.2011 She returned goods worth sh.3000 to Mutai after they were found defective

30.04.2011 She sold goods for sh.12000 cash

Required

Open the relevant ledger accounts, record the above transactions and balance them off. (12mks)

(b) Explain four ways that a firm would adopt to improve the efficiency of labour as a factor of production. (8mks)

6. (a) Highlight five benefits of filing to an organization. (10mks)

(b) Explain five negative implications of production activities on the environment (10mks)

Set5

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. State **four** reasons why business exist in the society. (4 mks)
2. From the following list of items, classify them to either internal or external environment by ticking (✓) (4 mks)

	Internal	External
(i) Employees		
(ii) Inflation		
(iii) Technology applied		
(iv) Invested funds		
(v) Cultural factors		
(vi) Tools		
(vii) Entrepreneur		
(viii) Political factors		

3. Identify **four** qualities of a good office messenger. (4 mks)
4. Outline **four** circumstances under which an insurance company would refuse to compensate an insured person. (4 mks)
5. Outline **four** ways in which a government may regulate business in a country. (4 mks)
6. Outline **four** reasons a consumer may take to satisfy unlimited wants. (4 mks)
7. Many parastatals in Kenya have been found to be inefficient in their operations. State four measures that can be taken to improve their efficiency. (4 mks)
8. Outline **four** factors that may lead to the success of business. (4 mks)
9. People hold money for various reasons. Identify the motive for holding money in each of the following cases (4 mks)
   (i) To meet hospital expenses..
   (ii) To pay for daily milk from Mama Maziwa.
   (iii) To counteract future decline in prize
   (iv) To meet routine transport expenses
10. State ways in which society benefits from indirect production. (4 mks)
11. Give disadvantages of long chain distribution of goods to buyers. (4 mks)

12. Highlight reasons why customers may prefer to buy on credit purchase rather than on hire purchase. (4 mks)

13. The following relate to Ekerubo traders as at 30/09/2006.

Stock 1 -10-05	7,500
Purchases	65,000
Sales	85,000
Return inwards	1,000
Mark-up	25 %
General expenses	12,200

Required:

Prepare a trading, profit and loss A/C for the period ended 30-9-2006 (4 mks)

14. Many changes have taken place in the transport sector. Identify any four of such changes. (4mks)

15. Mali had the following assets and liabilities in 1st January 2008.

Premises 800,000
Debtors 40,000
Bank 80,000
Creditors 70,000
Cash 60,000
Stock 62,000
Bank loan 380,000

Required:

Prepare opening journal entries to record the above information.

Date	Details	Dr	Cr

16. State reasons why it's suitable to locate bonded warehouse at the point of entry. (4 mks)

17. State the benefits that an investor could derive from a stock exchange market. (4 mks)

18. The condition given below describes the various market structures. Write the correct market structure against each of the conditions in the spaces provided.

Condition	**Market Structure**
(a)Market structure determiner price for the product	
(b)There is free entry and exit.	
(c)Market structure with many sellers of different product.	
(d)Product involved is homogeneous	

19. State **four** essentials of effective communication. (4 mks)

20. The following balance sheet relates to Jubilee traders.

Jubilee Traders
Balance sheet
As at 31st March 2011

Equipement	45,000	Capital	50,000
Debtors	20,000	Creditors	10,000
Cash	25,000	Bank overdraft	30,000
	90,000		90,000

The following transactions took place during the month of April 2011.
(i) Received cash Kshs 15,000 from debtors
(ii) Paid creditors Kshs 10,000 cash
(iii) Bought office furniture for Kshs 20,000 cash.
Prepare a balance sheet as at 30th April 2011. (4 mks)

21. The following table shows the quantity demanded for fish by two consumers; A and B.

Price for fish	Quantity of fish demanded by A per week	Quantity of fish demanded by B per week
20	1	5
10	2	7
5	3	9
2	4	11

State **four** possible reasons why B demands more fish at every price that A. (4 mks)

22. Outline **four** factors that an entrepreneur will consider when determining the most viable business opportunity. (4 mks)

23. On 1st January 2007, Nancy Traders had shs 8000 in cash and sh. 60,000 at bank. During the month, the following transactions took place.
2005
January 18 : Paid Shamisi Traders shs 17,000 by cheque less 2000 cash discount
" 20 : Sold goods for sh.24,000 cash less by 5 % discount.
" 29: Banked all the cash except 6,200.
Required:
Enter the above transactions in a three column cash book and balance it off. (5 mks)

24. Identify **four** major classes of taxation system. (4 mks)

25. State **four** external diseconomies of scale that a firm may get. (4 mks)

SET5
Paper 2

1. (a) Explain **five** differences between a chain store and a departmental store. (10 mks)
(b) Outline the procedure to be followed by a salesperson in the process of personal selling. (10 mks)

2. (a) Masanga wanted to open an account with a commercial bank. Give five reasons why you should advice him to open a current account.. (10 mks)

(b) The use of motor cycles transport is becoming very popular in both rural and urban areas of Kenya. Explain the limitation a business that relies on its use is likely to encounter. (10 mks)

3. (a) Discuss **five** factors that influence the levels of National Income in a country. (I0 mks)

(b) The following transactions took place during the month of June 2010 in Mali traders.

June

1st: Started business worth shs 140,000 deposited into the bank accounts

2nd : Bought equipments worth shs 9,000 and paid by cheque.

8th : Received shs 6500 cash fron Kariuki who oved shs 7000 in full settlement of The account.

14th : Withdrew shs. 10,000 of which shs 6000 was for office use and the rest was to pay for his daughter's medical bill.

15th Settled Goma supplies account in cash of kshs.10,000 at a 10 % cash discount.

24th :Purchased stationery for shs 20,000 paid by cheque.

26th :Cash sales paid directly to the bank account shs. 12,000

27th :Paid Mwangi a creditor in cash sh.4200 in full settlement his account of shs 4,500

30th :Cash taking for the day shs. 3,800

Enter the above transactions in relevant cash book as at 30th June 2010 and balance it off. (I0 mks)

4. (a) Explain **five** reasons why savings and credit co-operative societies are becoming popular among Kenyan employees. (10 mks)

(b) Bitare S.D.A is a new Secondary School. The Principal wishes to introduce filing of documents in the school. Explain five factors that she will consider before choosing a filing system. (10 mks)

5. (a) With the aid of a diagram, explain the effects of an increase in supply to equilibrium price and quantity of commodity. (10 mks)

(b) Describe **five** factors of a less developed country. (10 mks)

6. (a) Explain **five** factors that may lead to unfavorable terms of trade in a country.(I0 mks)

(b) Ekerubo shop sells all its goods at a margin of 20 % for the year ended 30th April 2006, the trading activities were as follows;

Purchases	Shs. 800,000
Sales	Shs 950,000
Net profit	5 % of sales
Closing stock	Shs 200,000

Calculate; (10 mks)

(i) The gross profit

(ii) The opening stock

(iii) The mark-up percentage

(iv) The net profit.

Set6
565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. State the characteristics of human wants that suit the following statemen (4mks)

Statement	Characteristics
a) wants are so many compared to resources	
b) Once satisfied some wants are left again and again	
c) satisfaction of a given want gives rise to another	
e) Everybody needs them in one form or another	

2. Yator and Korir have been trading partners.Yator decided to breakaway from the partnership and commence his own business. State four benefits that he will derive from the undertaking. (4mks)

3. For each of the following accounts title, Indicate whether it is real, nominal or personal (4mks)

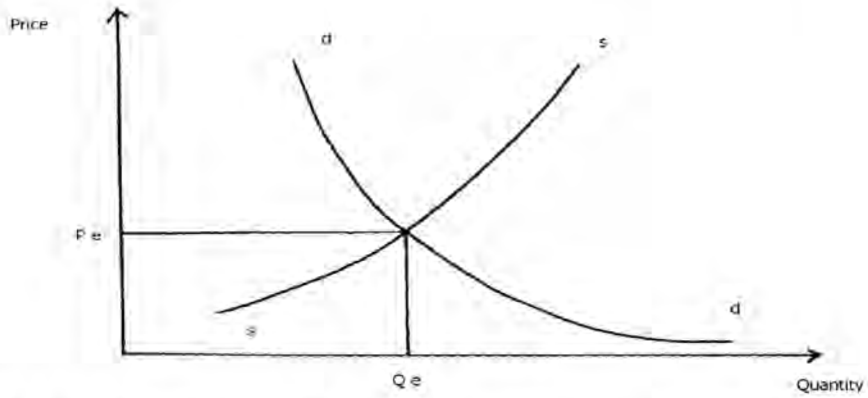
Account title	Account type
a) Waswa, a debtor	
b) Commission received	
c) Bank	
d)Purchases	

4. Highlight four reasons why a country would like to know the structure of it's population (4mks)

5. Identify four circumstances under which communication may be in effective (4mks)

6. Mention five reasons why M-Pesa is becoming a very popular means of payment in Kenya (4mks)

7. The following diagram shows demands and supply carve of commodity.



State four things that will happen if the supply of the commodity is increased while demand remains constant (4mks)

8. Highlight four factors that contribute to demand pull inflation (4mks)

9. Ukweli enterprises has a working capital of sh.200,000 and a current ratio of 3:1.Calculate
   (i) Current assets (2mks)
   (ii) Current liabilities (2mks)

10. Highlight four circumstances under which a manufacturer would prefer to sell his products directly to consumers instead of middlemen

11. Highlight four uses of national income statistics to any country (4mks)

12. Outline four measures which the government can take to encourage location of firms in an area (4mks)

13. On 1.1.09 the cash book of Kimende traders Cash and Bank balances of sh.3,500 and sh.20,000 respectively. The following transactions took place in the month.

Jan 6,	Cash sales sh.12,500
15,	Receives a cheque of sh.45,000 from a debtor after deducting a 10% discount.
31,	Paid a creditor sh.28,500 after deducting 5%discount
31,	Banked all cash leaving a balance of sh.100 in the cash till

Prepare a three column cash book. (4mks)

14. Kenya has been hard hit by H.e.p shortages in the recent past. State four alternative energy sources which should be promoted to meet the following demand (4mks)

15. Outline four circumstances under which a country may engage in trade restriction (4mks)

16. Outline four demerits of an indirect tax (4mks)

17. The following assets and liabilities belong to Mumbi as at 31.21.08

Stock	sh. 90,000
Land	sh. 130,000
Creditors	sh. 65,000

a) Calculate capital (1mk)

b) In Jan, 2009 stock costing shy.30,000 was sold for sh.36,000 cash. Prepare a new balance sheet as at 31.1.09. (3mks)

18. Outline four circumstances under which a trader would use porters to transport goods. (4mks)

19. For each of the following cases, identify the motives for holding money (4mks)

Case	Motives
a) To meet daily transport expenses	
b) To meet any unforeseen circumstances	
c) To take advantage of fall in share prices	
d) To pay for any food requirements	

20. Identify four differences between a supermarket and hypermarket (4mks)

21. Give four instances under which an insurance company may find it necessary to re-insur (4mks)

22. Highlight four reasons why a development plan is important to a country (4mks)

23. Tango limited wishes to promotes its products through advertising. Mention any four ethical issues it must consider before engaging in advertising (4mks)

24. State four uses of business plan (4mks)

25. Highlight four ways in which HIV and AIDS has adversely affected business operations (4mks)

Set6
Paper 2

1. (a) Explain **five** ways by which business owner may ensure a condusive environment for this business (10mks)
   (b) Explain **five** ways by which the central bank may reduce the amount of money in circulation in Kenya (10mks)

2. (a) Karemi owns a bakery in Kitale town. Explain **five** ways why he carried out division of labour in the process of baking bread in his factory. (10mks)
   (b) Describe **five** measures by which the Kenyan government can take to improve on its balance of its payment position (10mks)

3. (a) Explain **four** characteristics of an underdeveloped economy. (8mks)
   (b) The following trial balance belongs to Kipevu trades as at 30th June, 2004

KIPEVU TRADERS
Trial balance as at30th June 2004

	Dr (shs)	Cr (shs)
Stock on 30/6/03	40,000	
Capital		162,300
Purchase and sales	35,000	70,000
Drawings	6,000	
Furniture and fittings	20,000	
Motor vehicles	150,000	12,000
Debtor and creditors	8,000	4,800
Returns	2,000	800
Discount	900	
Wages and salaries	15,000	
Rent	3,500	
Insurance	2,100	
Commission	400	

Bank cash	 6,000 252,900	3,000 252,900g

REQUIRED

(I) Prepare a trading profit and loss account

(ii) Prepare a balance sheet as at 30th June 2004 (12mks)

4. (a) Jilo company wishes to have its goods distributed all over the country. Advise the company **five** factors it may consider before choosing the distribution channels (10mks)

(b) Kamwaru private company recently joined the Nairobi stock Exchange. Describe **five** benefits of such a decision (10mk

5. (a) Explain **five** factors that may have contributes to the slow pace in the achievement of the East Africa community (10mks)

(b) Wako Limited operators as a monopolist. Explain **five** factors that may have made the firm acquire monopoly power. (10mks)

6. (a) Discuss **five** circumstances under which an insurance contract may be terminated (10mks)

(b) Explain **five** problems that consumers may encounter as they try to satisfy their wants (10mks)

Set7

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. In the space provided, indicate the type of utility created by each of the given commercial activities. (4 marks)

Activity	Type of utility
a) Making chairs from timber	
b) Storing chairs in a workhouse	
c) Transporting chairs to the market	
d) Selling chairs to customers	

2. Outline **four** considerations that a seller may take into account before giving credit to a customer. (4 marks)
3. Highlight **four** reasons why interest is charged on borrowed capital. (4 marks)
4. List **four** source of government revenue. (4 marks)
5. Outline **four** barriers to entrepreneurial development in Kenya. (4 marks)
6. In the spaces provided, indicate the accounts to be debited and credited for each of the given transactions. (4 marks)

Transaction	Account to be debited	Account to be credited

a) Started a business with cash in hand. b) Paid wages in cash. c) Owner took some cash for personal use. d) Acquired some stock on credit.		

7. Outline **four** strategies that a trader can use to attract / retain customers. (4 marks)
8. Highlight **four** uses of an invoice to a seller of goods. (4 marks)
9. Outline **four** demerits of using motor cycles as a means of transport. (4 marks)
10. State **four** positive effects of an increase in population on the development of a country. (4 marks)
11. List **four** features of ordinary shares. (4 marks)
12. Give **four** challenges that may face a business unit that does not file its documents. (4 marks)
13. In each of the following cases, indicate whether supply will increase, decrease or remain constant. (3 marks)
    a) If the demand for coffee rises, the supply of tea is likely to
    b) If the prices of cars fall, the supply of petrol is likely to
    c) If the demand for beef increases, the supply of wood is likely to
14. Outline **four** ways in which m- banking is useful to account holders. (4 marks)
15. The following information relates to ABC traders for the year ended 31 December. 2011.

Opening stock	80,000
Closing stock	100,000
Purchases	900,000
Mark- up	20%

Calculate:
i) Cost of goods sold.
ii) Gross profit. (4 marks)

16. Outline **four** circumstances under which the use of gestures would be appropriate.(4 marks)
17. Give **four** items of information that can be found in an insurance policy. (4 marks)
18. In the spaces provided, indicate the quality of office workers that best fits each of the given descriptions. (3 marks)

Description	Term
a)Ability to observe working hours without delay	
b) Handling people politely and pleasantly	
c) Commitment to ones institution	

19. On 1st May. 2010, the cash book of Amua Traders had cash and bank balances of sh 3,500 and 18,000 respectively.
    During the month the following transactions took place;
    May 2 cash sales sh 12,500
    6 paid sh 13,000 in cash for wages.
    14 A debtor paid sh 20,000 by cheque.
    20 Withdrew sh 30,000 from the bank for office use.
    30 Drew a cheque for sh 10,000 to pay a creditor.
    Prepare a two – column cash book duly balanced. (5 marks)
20. Name **four** errors that do not affect the agreement of a trial balance. (4 marks)
21. State **four** problems encountered in development planning. (4 marks)
22. Give **four** reasons why supermarkets attract many customers. (4 marks)

23. The following balances were extracted from the books of Sila Traders on 31st December. 2001.

	Sh
Gross profit	400,000
Salaries	160,000
Telephone	40,000
Discount received	16,000
Discount allowed	30,000
Stationery	85,000

Prepare a profit and loss account for the period ended 31st December. 2001. (4 marks)

24. On 1st January 2009, Sembe stores had capital sh 600,000. At the end of the year, the following balances were available:

	Sh
Stock	70,000
Creditors	50,000
Debtors	30,000
Bank overdraft	80,000
Buildings	800,000

Determine the net profit for the year. (5 marks)

25. Outline **four** negative effects of inflation. (4 marks)

Set7

Paper 2

a) Discuss **five** indicators of under – development in a country. (10 marks)

b) Explain **five** advantages of pipeline as a mode of transporting oil products.(10 marks)

1. a) Explain **five** ways in which consumers benefit from warehousing services provided by wholesalers. (10 marks)

b) Describe **five** properties of good money. (10 marks)

2. a) Outline **five** causes of unemployment in Kenya. (10 marks)

b) Explain **five** benefits of entrepreneurship in an economy. (10 marks)

3. a) Highlight **four** benefits of having business enterprises located in one area. (8 marks)

b) Prepare a three column cash book from the following information for the month of May 2004 and balance it off.

May 1 Balances b/d cash sh 50,000, Bank sh 180,000

May 1 Cash sales sh 3,000

May 2 Paid the following creditors by cheque, N Mwangi sh 1,500, J .Mwaniki sh 16,000, N Mugo sh 1,200 after deducting 10% cash discount in each case.

May 3 Received cheques from the following debtors after deducting 5% discount in each case E. Githinji sh 24,000, D.Nyamu sh 9,000, E. Mutua sh 1,400.

May 5 Paid for repairs in cash sh 16,000

May 10 Paid Juma in cash sh9,500

May 15 Banked sh 6,000 from the cash till

May 15 Received cash from P. Kavuniki sh 13,500 in full settlement of his account of sh 15,000.

a) Discuss **five** roles played by intermediaries in the chain of distribution. (10 marks)

b) Highlight any **five** principles of government expenditure. (10 marks)

4. a) The following trial balance was extracted from the books of Baite Traders on 31st August. 2009.

	Dr (sh)	Cr (sh)
Sales		350,000
Purchases	160,000	
Cash at bank	290,000	
Return inwards	5,000	
Carriage inwards	20,000	
Carriage outwards	14,000	
Salaries and wages	10,000	
Debtors	56,000	
Creditors		90,000
Stock	35,000	
Machinery	265,000	
Rent		25,000
Discount received		18,000
Lighting and heating	12,000	
Building	240,000	
Advertising	13,000	
Drawings	3,000	
Capital		667,000
	1,150,000	1,150,000

Additional information;

a) Stock on 31st August. 2009 was valued at sh 50,000. Required; Prepare Trading profit and loss account for the year ended 31st August. 2009. (12 marks)

Describe **four** problems associated with a sole proprietorship form of a business. (8 marks)

Set8

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BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. Outline four ways that can be used by on organization to protect its properties and control their use.
2. State four services offered by advertising agencies in product promotion. (4mks)
3. Highlight four reasons why Kenya needs to encourage the use of pipeline transport (4mks)
4. State circumstances under which the following services may be offered by the post officer in entancing communication.
   i) Poste restante
   ii) Registered mail
   iii) Speed post
   iv) Business reply services
5. Outline four monetary tools used by central bank to control inflation in Kenya.
6. State four reasons why entrepreneurs need to prepare business plan
7. State four reasons why E or M banking is commonly used in Kenya these days.

8. Highlight four sources of monopoly power.
9. State four weaknesses of using National Income statistics in comparing the standards of living of different countries.
10. Outline four reasons why young population may not be desirable to a country.
11. The table below represents the demand schedule for tea leaves for 6 months in 2010.

Months	1	2	3	4	5	6
Quantity (Kgs)	200	400	600	800	1000	1200

Outline four causes of the trend in the table.
12. Highlight four uses of an invoice
13. State four macro environmental facilities that may affect business performances.
14. Outline four methods the Kenyan government may use to protect consumers.
15. Highlight four circumstances under which a business person may decide to build his own warehouse instead of using a public warehouse.
16. The following information belongs to XYZ traders for as at 31.12.2010

	Shs
Rent	5,000
Debtors	20,000
Drawings	10,000
Stock	80,000
Cash in hand	15,000
Creditors	25,000
Cash at bank	50,000

Calculate capital and prepare the trial balances of XY Z traders as at 31.12.2010 (5mks)

17. Outline four roles played by Nairobi stock exchange in enhancing the development of the country.

18. Hekima traders had the following information in its records as t 1.12.2009

	Shs.
Cash at bank	5,000
Trade debtors	20,000
Stock	25,000
Capital	120,000
Machinery	80,000
Creditors	10,000

On 2nd Dec. he had the following transactions: 4mks
- Bought goods for Ksh 15,000 on credit
- Sold the machine for Kshs. 90,000 received the money in cash.
- Received a cheque for shs 10,000 from a debtor.

Prepare Hekima's balance sheet after the above transactions
19. Outline four circumstances under which an insurance company may not compensate the insured after a risk has taken place and there is loss.
20. Highlight four strengths of direct tax that make it commonly used by many countries as a source of revenue.
21. Vijana LTD transacted the following during the month of march 2005
March 1: Sold an old machine on credit for Ksh.1000 to KK traders.
March 2: Sold an old business car worth 100,000/= for shs. 120,000/- on credit to Dobi motors.

March 3rd: Bought office furniture on credit from smart furniture worth Kshs. 10,000/=

March 4th: Sold an old computer valued at Kshs 20,000/= for Kshs 15,000/= on credit to John traders.

Requirement:

Make the entries in the journal proper. (4mks)

22. The following information was extracted from the books of Nancy traders for the months ended 31.6.2009.

	Sh
Closing Stock	10,000
Purchases	120,000
Opening stock	15,000

The average mark up for the goods sold was 40%

Calculate.

i) Cost of sales. (1mk)

ii) Gross profit (1mk)

iii) Sales (1mk)

23. Given four reasons for import restriction measures taken by countries.

24. Outline four challenges being faced by Kenya in the crucial stage of implementing the vision 2030.

25. Open the relevant ledger accounts using the following information. (4mks)

1/2/2011 Started business with Kshs 10,000 in cash and Ksh 50,000 at bank.

2/2/2011 Bough goods on credit from Lk traders worth Kshs 5,000.

4/2/2011 Withdrew from the bank Kshs 2000 for office use.

Set8

Paper 2

1. a) Explain **five** factors that limit the adoption of modem technology in business operations.(10mks)

   b) Outline **five** differences between a public limited company and a partnership form of business.

2. a) Explain **five** circumstances under which monopolies exists in a given economy. (10mks)

   b) Outline **five** differences between a public limited company and a partnership form of business. (10mks)

3. a) Explain **five** benefits of " pooling of risks" to an insurance industry. (10mks)

   b) On 1st January 2012 Manga traders had 180,000 cash in hand and a bank credit balance of Shs.57,500. During the month the following transactions took place.

   3rd Jan: Cash sales Shs. 2,800

   4th Jan: A debtor settled his accent of sh. 90,00 by cheque

   10th Jan: Paid Salaries shs. 40,000 in cash.

   12th Jan: Took cash sh. 35,000 to settle on personal debt.

   23rd Jan: Received a cheque shs. 8460 from Ouru distribution after deducting 6% cash discount.

   24th Jan: Deposits shs. 10000 in the bank from office cash.

   25th Jan: Purchased stock worth shs.8950 on credit from Ngumo distributors

   26th Jan: Cash sales banked directly shs.38000

   27th Jan: A cheque received on 4th from a debtors was dishonored. The bank charged him 2500.

   29th Jan: Settled creditors account shs. 6000 b cheque less 3% cash discount.

   31st Jan: Bank all cash except shs.40,000

   Required:Prepared a three column cash book duly balanced (10mks)

4. a) Explain **five** effects of production activities on the environment and community health (10mks)

b) Explain **five** services that are offered by commercial banks to their customers. (10mks)

5. a) Highlight **five** distinctions between savings and current account (10mks)

b) Explain **five** shortcomings of internet services. (10mks)

6. a) Explain **five** disadvantages of progressive taxes. (10mks)

b) The following balances were extracted from the books of Mutua Traders for the year ended 31 Dec 2010 having proffered a trading account.

	Dr. (sh)	**Cr. (Sh)**
Gross profit		38100
Cash	105060	
Motorvan	603 000	
Capital		653560
Equipment	200600	
Furniture	94400	
Creditors		74300
Debtors	75900	
Discount received		26400
Salaries	12400	
Carriage outward	14400	
Rent: income		12600
Advertising	22200	
Insurance	9400	
Bank overdraft		412600
	1,217560	1,217560

Required:

a) Prepare a profit and loss account of Mutua Traders for the year ended 31st Dec 2001 (5mks)

b) A balance sheet as at that date. (5mks)

set9

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. Highlight four considerations that a firm would make when choosing the location of its office. (4marks)

2. Highlight four ways commercial banks have contributed to the rural development in Kenya. (4marks)

3. State four factors which may discourage many people from starting their own businesses. (4marks)

4. A wholesaler who buys goods from the producers incurs expenses. Outline four such expenses. (4marks)

5. Give four reasons why a country may find it necessary to raise import duties. (4marks)

6. From the transactions below, state the accounts to be debited and to be credited. (4marks)

Transactions	Debit	Credit
i) Begun a business with Ksh 10,000 in the bank		

ii) Bought equipment in cash for Ksh 8,000		
iii) Transferred Ksh 60,000 to the bank from the cash till		
iv) Took cash Ksh. 7,000 to pay hospital bill		

7. Outline four functions of retailers which benefit the consumers. (4marks)

8. State four factors that determine premiums charged by insurance companies for life policies. (4marks)

9. State whether the following statements relating to private limited companies are true or false. (4marks)

Statement	True/False
i) They advertise and invite the public to subscribe for their shares and debentures through a prospectus.	
ii) They can start business after being issued with a certificate of incorporation.	
iii) They are formed by a minimum of seven shareholders	
iv) Their shares are dealt with in the stock exchange.	

10. State the form of utility created by the activities listed below. (4marks)

a) Exchange
b) Processing
c) Transport

11. Warehousing

12. Highlight four challenges faced in the satisfaction of human wants. (4marks)

13. Outline four demerits of using television as a method of advertising a product. (4marks)

14. Highlight four reasons why a firm may be located close to other firms (4marks)

15. Outline four positive effects of declining population. (4marks)

16. A trader sold a bag of sugar at Ksh. 4000. The buyer was allowed a trade discount of 10% and cash discount of 3%. If payment is made within one month. Calculate the amount the trader received if the trader paid within 15 days. (4marks)

17. The following information was extracted from the books of Kalema Traders on 30th June 11.

Stock on July 1st 2010 -	sh. 48,000.00
Stock on June 30th 2011 –	sh 42,000.00
Purchases	sh 140,000.00
Sales	sh. 205,000.00

Calculate

(i) Cost of goods sold. (2marks)

(ii) Mark up percentage (2marks)

18. The trial balance below relates to Mutua wholesalers and was wrongly prepared. Prepare a correct one. (4marks)

Accounts	Dr. Shs	Cr. Shs
Sales	20,000	
Capital		75,000
Creditors	3,000	
Purchases returns	500	
Cash	86,200	
Purchases		6,000
Sales returns		1,300

Debtors	5,000	
	110, 0000	81,300

19. Give four reasons why electric trains are uncommon in Africa yet it is the common trend in other continents. (4marks)

20. Outline four ways in which a warehouse is of importance to a manufacturer. (4marks)

21. The conditions given below are for either a monopoly firm or a firm operating under prefect competition. Write the correct market structure against each of the conditions in the spaces provided.

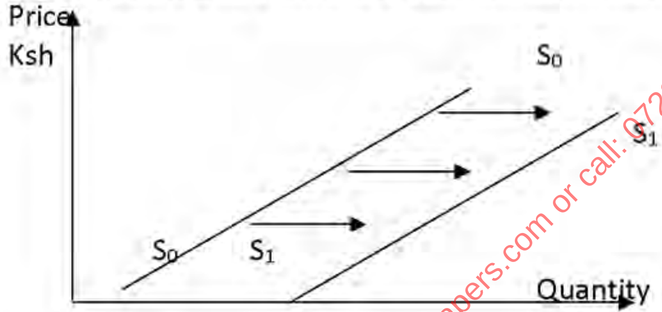
Conditions	Market structure
a) Market structure determines price of the products	
b) There is free entry and exit of firms in the market	
c) Products involved are homogenous	
d) Market structure regulates supply of the product.	

22. State four causes of cost push inflation. (4marks)

23. Outline four principles of a good tax system. (4marks)

24. List four elements that may comprise the external environment of a business. (4marks)

Study the diagram below and answer the question that follows.



State four factors that may cause the above change from S_0S_0 to S_1S_1. (4marks)

25. Outline four circumstances under which sign language may be used in an organisation. (4marks)

Set9

Paper 2

1. a) Explain five characteristics of underdeveloped countries. (10marks)
   b) Discuss five measures that can be used to reduce unemployment in Kenya (10marks)
2. a) Explain five ways in which the central bank regulates the operations of commercial banks in Kenya (10marks)
   b) Explain five roles played by insurance industry in promoting the development of Kenyan economy. (10marks)
3. a) Highlight five roles of the Nairobi Stock exchange as a market for securities. (10marks)
   b) During a trader's workshop, a speaker presented a speech on ethical issues in business. Highlight some ethical issues that he may have raised, affecting business. (10marks)
4. a) Discuss five benefits of filing office documents to an organisation. (10marks)
   b) Explain five benefits that a country derives from transporting oil through pipeline. (10marks)
5. a) Savings and credit cooperatives have been registering an increasing number of members. Explain five reasons for such a development. (10marks)

b) The following Trial balance was extracted from NDOLO'S STORES on 31st Dec 2009.

	Dr. Shs	Cr. Shs
Capital		250,000
Stock	25,000	
Machinery	250,000	
Motor vehicles	87,000	
Purchases	360,000	
Sales		600000
Returns inwards	40,000	
Returns outwards		20,000
Discount received		5,000
Carriage inwards	2,000	
Carriage outwards	3,000	
Bad debts (written off)	80,000	
General expenses	88,000	
Debtors	18,000	
Creditors		49,000
Rent	1,000	
	954,000	954,000

Additional information:-
Closing stock was valued at sh. 22,000.
Prepare NDOLO'S STORES; Trading, profit and loss accounts for year ending 31/12/2009.

6. a) The income approach is one of the methods used to measure the national income of the country.
Explain four types of incomes included in this approach. (8marks)

b) On 1st June 2009, MULI ENTERPRISES had cash in hand sh. 87,000 and cash at bank sh. 250,000.During the month, the following transactions took place.

June 2, Sales (cash) sh. 50,000

June 3, Paid salaries sh.101, 500 by cheque.

June 6, Received a cheque for sh. 76,800 from Mwelu after allowing her a cash discount of 4%.

June 12, Bought office furniture by cheque sh. 85,000

June 16, Settled Musau's account of sh. 40,000 in cash, having deducted shs 800 cash discount.

June 18, Received a cheque for shs 150,000 in respect of cash sales.

June 21, Paid wages shs 24,000 in cash.

June 22, Withdrew shs 30,000 from bank for office use.

June 25, Withdrew shs 5000 cash for private use.

June 28,	Received shs 16500 cash from Kasiva in settlement of her account less shs 660 cash discount.
June 30,	Deposited all the money into bank except shs 25,000

Prepare a three column cash book and balance it off. (12marks)

Set10

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. **State four** limitation of direct production. (4mks)
2. Highlight **four** roles of an entrepreneur to the economy of a country. 4mks)
3. A modern office requires a computer to carry out multiple functions. Highlight any **four.** (4mks)
4. **Highlight four** reasons why the Mau escarpment is an important Natural resource. (4mks)
5. **State four** reasons why it is important for a business to keep financial Records: (4mks)
6. Highlight the **purpose** of each of the following documents. (4mks)

Document	Purpose

a)Delivery note b)A debit note c)An invoice d)A statement of account	

7. Juma a newly employed teacher has joined Mwalimu Sacco in Bungoma. **Outline four** benefits of membership to the society. (4mks)
8. Redraft the following balance sheet correcting any mistakes. (4mks)

KIP's
Balance sheet
As at 31/8/2010

	Ksh		
		Cash	19000
Debtors	12000		
		Stock	12200
Capital	40700		
Creditors	18000	Coop loan	50000
Computers	87500	Bank overdraft	22000
	158200		103200

9. **Highlight four** measures taken by producers to ensure consumers are protected when using their products. (4mks)
10. **State four** benefits of a public warehouse to a consumer. (4mks)
11. **State four** advantages of using E-mail for communication by a given enterprise. (4mks)
12. **Highlight four** reasons why all motor vehicles are required to have insurance cover. (4mks)
13. The following information relates to MUSIKO traders for the year ended 31/12/2011

Sales	Ksh800,000
General expenses	ksh120,000
Commission income	Ksh40,000
Margin	20%

Calculate

i) Mark-up percentage (2mks)

ii) Net profit for the year ended 31/12/2011 (2mks)

14. **State four** importance of computing national income statistics in a country such as Kenya. (4mks)
15. The following table shows the demand for sugar in a certain town between the years 2006 and 2010

YEAR	Quantity Demanded In Tons
2006	50
2007	70
2008	85
2009	72

2010	65

State four factors that contributed to the trend in demand for sugar between 2008 and 2010. (4mks)

16. **State four** reasons why it may be necessary for the Government to encourage new firms to be located in the rural areas. (4mks)
17. You are to enter up the purchases journal and the returns outwards journal from the following details

October	1.credit purchases from Helen sh20,000
2011 October	3. credit purchases from the following; Dan sh12,000,Tom Ksh13,300
2011 October	5.Goods returned by us to Tom sh300 (4mks)

18. Recent data indicates that a large proportion of Kenya's population comprises of the youth the ages of 10 to 20 years. **State four** benefits of this to the country. (4mks)
19. **State four** reasons why a country may find it necessary to control its imports. (4mks)
20. **Highlight four** characteristics of money. (4mks)
21. **State four** challenges being faced by Kenya in achieving its stated goal of vision 2030. 4mks)
22. Indicate whether the following types of taxes are **direct or indirect.** (4mks)

Type of tax	State
a)Corporation tax	
b)Value added tax	
c)Income tax	
d)Customs duty	

23. **State four** recent trends adopted by many firms in product promotion. (4mks)
24. **State four** classification of goods and services. (4mks
25. **State four** challenges that a business without a plan will encounter in its operations. (4mks)

Set10
Paper 2

a) Highlight **five** reasons why the government trains business people (10mks)
b) Explain **five** roles that intermediaries play in the distribution of goods and services. (10mks)

2. a) Discuss **six** reasons why many Kenyans are increasingly shopping in supermarkets. (12mks)
   b) The Kenyan government has plans to construct a major seaport at Lamu. **Explain four** benefits that may accrue to the country from this new port at Lamu. (8mks)
3. a) Explain **five** advantages of a public limited company as a form of business. (10mks)
   b) The following balances relate to Msafiri Traders as at 31st December, 2012:

	Sh.
Purchases	900,000
Stock, 1/1/2012	230,000
Buildings	1,200,000
Motor vehicles	750,000
Returns outwards	50,000
Debtors	190,000

Creditors	310,000
Loan from IDB	600,000
Cash at hand	130,000
Cash at bank	270,000
Drawings	100,000
Capital	1,840,000
	170,000
Net profit	
Stock, 31/12/2012	280,000
Expenses (including carriage inwards, shs 150,000)	250,000

REQUIRED:

i) Balance sheet as at 31st December, 2011.

ii) Calculate:

- Mark-up percentage. (2mks
- Return on capital employed. (2mks)

4. a) Explain five principles that guide the tax system in a country. 10mks)

b) Labour is one of the basic factors of production. Outline five measures that a business can take to increase the productivity of its labour force. (10mks)

5. a) Describe five ways in which the price of a product can be determined in market. (10mks)

b) Explain five benefits of mobile phone money transfer services. 10mks)

6. a) On 1st June 2011, Nyati Traders had cash in hand of sh25,000 and sh56,200 at bank. During month, the following transactions took place:

2011

June 2 Cash sales, sh42,000.

June 5 Received a cheque of sh70,500 from Butala Traders after deducting a 6% cash discount.

June 8 Paid salaries, sh24,000 in cash

June 9 Kivuitu settled his account of sh45,000 in cash and was allowed sh l,800 cas discount.

June 12 Cash sales sh46,500.

June 18 Paid Tuiei's debt of sh l00,000 by cheque after deducting 5% cash discount.

June 24 Withdrew sh26,000 from the bank for office use.

June 30 Banked all the cash except sh25,000.

Prepare a 3-column cashbook and balance it off on 30th June, 2011. (10mks)

b) Outline **five** differences between oligopoly market and perfect competition market situation (10mks)

set11

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. Outline four ways in which horizontal communication may be used in a business organization. (4marks)

2. Outline four differences between a partnership and a sole proprietorship. (4marks)

3. Identify the type of good described by each of the following statements (4marks)

	Description	Good
a)	Owned by no one but the government	
b)	Produced to be used in the production of other	

	goods.	
c)	Available in abundance as gifts of nature	
d)	Have monetary value and human effort is needed to obtain them	

4. State four possible consequences of poor arrangement of goods in a warehouse (4marks

5. State four factors to be considered when determining premiums to be charged in life assurance. (4marks)

6. A firm near your residential area has been constantly releasing toxic wastes into the environment. Outline four measures that you can take to stop the firm from doing so. (4marks)

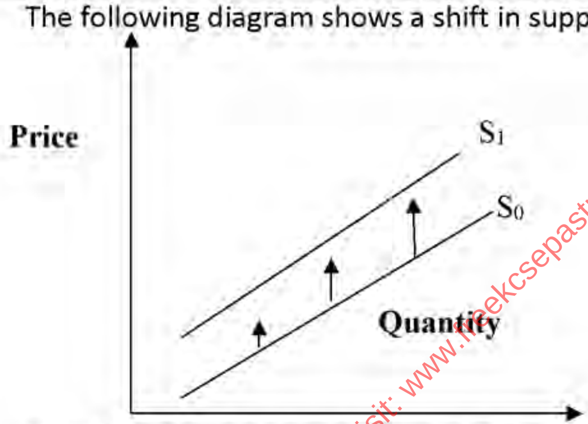
7. An indirect tax has a room for voluntary payment. However it has its shortcomings. State four of such shortcomings. (4marks)

8. Outline four roles played by intermediaries in the chain of distribution. (4marks)

9. The following entries were made in the two column cash of Dot-com traders. Explain each of the entries.

Date	Details	Cash	Bank	Date	Details	Cash	Bank
1/12/11	Bal b/f	23,00		1/12/11	Bal b/f		5,000
3/12/11	Sales	0	8,000	5/12/11	Bank	9,000	
5/12/11	cash		9,000	9/12/11	Purchases	10,000	

10. The following diagram shows a shift in supply of mangoes in Kathiani Market from S_0 to S_1



State four factors that may have led to the shift. (4marks)

11. State four reasons why carbon copying is not a popular method in reproducing documents in offices. (4marks)

12. Outline four ways through which a business opportunity may exist. (4marks)

13. Indicate in which ledger book transactions involving the following will be recorded. (4marks)

14.

	Transaction	Ledger Book
a)	Rent expenses	
b)	Credit purchases	
c)	Cash sales	
d)	Credit sales	

14. Outline four limitations of the circular flow of income. (4marks)

15. State four ethical issues that a firm is supposed to address in product promotion (4marks)

16. The following balances were extracted from the books of Muli traders as at 31st March 2010

	Shs.
Fixed Assets	200,000
Creditors	35,000

Current assets 110,000
4 year bank loan 150,000

Required;

Determine the net worth of the business as at 31st march 2010 (4marks)

17. State four measures that the Kenyan government may adopt to promote her exports. (4marks

18. State four negative effects of inflation that Kenyans are facing today. (4marks)

19. Outline four reasons why an entrepreneur would prefer to locate his business where similar businesses already exist. (4marks)

20. One of the functions of the office is to safeguard the organization's property. State four methods through which this function can be achieved. (4marks)

21. Outline four causes of unemployment in Kenya. (4marks)

22. Outline four functions of money. (4marks)

23. State four disadvantages of division of labour and specialization. (4marks)

24. The following transactions relate to Ostrich Ltd.

i) Started the business with Kshs. 10,000 cash and Shs. 15,000 at the business bank account

ii) Paid Kavi a creditor Shs. 3,000 by cheque

Post the above transactions in the relevant ledger accounts (4marks)

25. State four factors that may positively affect the productivity of labour (4marks)

Set11
Paper 2

1. a) Kasiva a coffee farmer in Nduni village wants to join Muthunzuuni farmers' co-operative society. Explain five benefits that would accrue to her as a result of being a member of the society. (10marks)

b) Explain five roles played by advertising agencies. (10marks)

2. a) Kenya is looking forward to the realization of vision 2030, explain five obstacles that may hinder the efforts made towards this dream. (10marks)

b) Explain five reasons why a properly drawn cheque may be dishonoured. (10marks)

3. a) The following trial balance relates to Nthoi's enterprise as at 31st December 2011

	DR	CR
	Shs.	Shs.
Drawings	60,000	
Land + buildings	700,000	
Cash in bank	115,000	
Stock 1.1.2011	18,000	
Purchases and Sales	500,000	1,000,000
Debtors and Creditors	46,000	92,000
Salaries and wages	85,000	
Carriage inwards	9,000	
Carriage outwards	12,000	
Motor vehicles	400,000	
Capital		909,000
Water and lighting	36,000	
Insurance	40,000	

Returns	30,000	50,000
	2,051,000	2,051,000

Stock on 31st December 2011 was valued at kshs. 25,000.

Required; prepare Nthoi's Trading Profit and Loss Account for the year ended 31st December 2011. (10marks)

b) Explain five benefits that may accrue to a firm as a result of operating on large scale. (10marks)

4. a) Explain five circumstances under which a producer of a certain commodity may find it appropriate to sell his goods directly to the consumer. (10marks)

b) Highlight five reasons why a country would be reluctant to adopt free trade policy with her trading partners.

5. a) Explain five sources of short term finance to a business organization.

b) Tumetoka Mbali Traders maintains a petty cash book on imprest system with a float of kshs. 18,000. Reimbursement is usually made on the first day of the week. The following payments were made on the first week of June 2012

June 1st: Received Shs. 2,000 for reimbursement
3rd : Bought stamps for shs. 400
4th : Bought stationery for shs. 1,000
5th : Bought sugar for shs. 580 and paid postage shs. 850
6th : Bought tealeaves for shs. 500 and stationery for shs. 650
7th : Paid ostrich a creditor shs. 5,500
7th : Received cash for reimbursement

Required;

Prepare a petty cash book duly balanced using the following analysis columns, stationery, postage, travelling, staff tea, miscellaneous and ledger accounts. (10marks)

6. a) Explain five features of under development. (10marks)

b) Explain five limitations of relying on per capita income as a measure of living standards of people in a country. (10marks)

Set12

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

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1. Outline **four** challenges associated with the satisfaction of human wants. (4mks)
2. Highlight **four** ways in which manufacturers can enhance consumer protection. (4mks)
3. State **four** ways in which the government may influence the price of a commodity. (4mks)

4. Outline **four** features of demand deposit account. (4mks)
5. The balances below relates to Eureka Traders for the year ended 31st December 2010.

	Shs.
Capital	?
2 year Bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Determine the following
i.) Working capital. (2mks)
ii.)Capital employed. (2mks)
6. Classify the following accounts as either real or nominal. (4mks)

Account	Class
Delivery van	
Purchases	
Insurance premium	
Commission income	

7. Highlight **four** measures that the government would undertake to provide investors with an enabling business environment. (4mks)
8. Outline **four** circumstances under which downwards communication would be appropriate in an organization. (4mks)
9. State ***four*** limitations of using national income statistics to compare the standards of living in different countries. (4mks)
10. State **four** merits of using indirect taxes to raise government revenue. (4mks)
11. State **four** components of a business plan. (4mks)
12. Outline **four** demerits of using pipeline to transport petroleum products. (4mks)
13. Highlight **four** circumstances which may make personal selling appropriate as a way of product Promotion. (4mks)
14. Maneno traders had the following balances as at 6th January 2012. (4mks)

Land & building	150,000
Cash in hand	25,500
Creditors	15,000
Bank overdraft	30,000
Purchases	18,000
Sales	30,000
Returns inwards	5,000

Required;
A trial balance as at 6th January 2012
15. Outline four monetary methods that the government can use to control inflation.(4mks)

16. Name the office machines used to perform the following functions. (4mks)

Function	Machine
a) To fold documents, place them in the envelope and seal.	

b) Used to transmit printed messages such as Letters ,maps diagrams and photographs	
c) Reproducing documents from a master copy(stencil)	
d) Printing postage impressions on the envelopes	

17. Outline **four** distinctions between monopolistic competition and oligopoly. (4mks)

Monopolistic competition	Oligopoly
(a)	
(b) (c)	
(d)	

18. Highlight four disadvantages of producer co-operative societies. (4mks)
19. State ***four*** objectives of export processing zones in Kenya. (4mks)
20. Outline four advantages of overpopulation in Kenya. (4mks)
21. Highlight **four** benefits of a bonded warehouse to the government. (4mks)
22. State **four** features of a departmental store. (4mks)
23. Outline **four** conditions which are necessary for a successful development plan. (4mks)
24. State **four** purposes of a three column cash book. (4mks)
25. Highlight four features of general insurance. (4mks)

Set12
Paper 2

1. a) Explain **five** benefits that would accrue to a businessman who uses a Liner rather than Tramps Steamers. (10mks)
   b) Using a diagram, describe the effects of outward shift in supply curve on equilibrium price and quantity. (10mks)
2. a) Explain ***four*** measures that may be taken by the government to promote her export. (8mks)
   b) The following Trial Balance was extracted from the books of Kisumu Auto spares as at 31stOct 2011

Kisumu Auto Spares
Trial Balance
As at 31st Oct 2011

	DR	CR
Capital		653,560
Motor vehicle	603,000	
Equipment	200,600	
Furniture	94,400	
Debtors	75,900	
Creditors		74,300

Carriage on sales	14,400	
Discount Received		26,400
Salaries	12,400	
Rent Income		12,600
Sales		319,400
Purchases		300,000
Advertising	22,200	
Rates	9,400	
Stock 1-11-2010	61,500	
Bank		412,600
Cash	105,060	
TOTAL	**1,498,860**	**1,498,860**

Stock on 31st October 2011 was sh. 80,200

Required,

(i) Prepare Trading ,Profit and Loss account for the year ended 31st Oct 2011

(ii) Prepare Balance sheet as at 31st October 2011 (12mks)

3. a) Explain **Five** circumstances under which a manufacturer would find it advisable to distribute his goods through wholesalers. (10mks)

   b) Explain ***five*** functions of the central bank of Kenya in the Economy. (10mks)

4. a) Distinguish between shares and debenture as a source of finance. (10mks)

   b) Outline five circumstances under which a firm will be located near the market for its products. (10mks)

5. a) The following information relates to Bizna Distributor Company for the year ended 31st Dec 2009

	shs
Gross profit	600,000
Opening stock	285,000
Sales	2,400,000
Purchases	1,830,000
Expenses	360,000
Closing stock	315,000
Fixed assets	400,000
Debtors	900,000
Bank	35,000
Current liabilities	438,000

Required calculate

i) Margin (2 ½ mks)

ii) Rate of stock turnover (2 ½ mks)

iii) Return on capital employed (2 ½ mks)

iv) Current ratio (2 ½ mks)

b) Explain **five** ways in which the Entrepreneur contributes to the production of goods. (10mks)

6. a) Describe **five** means of payment that a trader may use to settle business debts. (10mks)

   b) Explain **five** indicators of under development in Kenya. (10mks)

set13

565/1

BUSINESS STUDIES

THEORY

Paper 1

2 Hours

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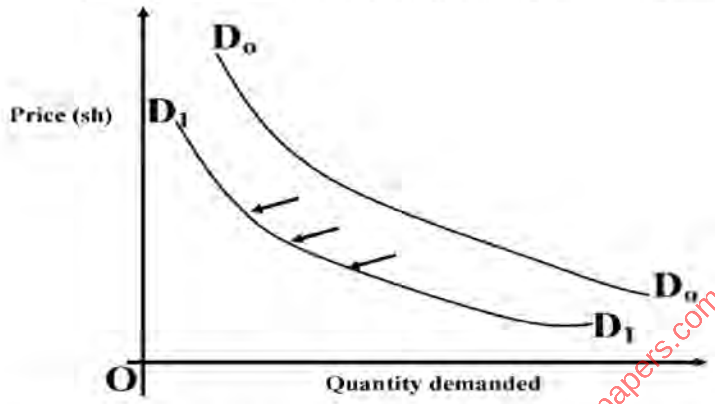
1. In the spaces provided, state the type of insurance policy described in each case.(4mks)

   a) Premium are paid over a stated period with the sum assured payable when insured dues

b) Covers a vehicle against all losses arising from its authorized use.
c) Covers loss, damage or injury accidentally caused to other people by the insured , His property, employees, pets or agents.
d) Covers goods and money lost in private and commercial premises.

2. State FOUR circumstances under which a seller would require a buyer to pay cash with order C.W.O. (4mks)
3. State FOUR ways in which the nature of goods would influence the choice of transport. (4mks)
4. Highlight FOUR limitations of consumer initiated methods in consumer protection. (4mks
5. Give FOUR difficulties faced by human beings in satisfying human wants. (4mks)
6. State FOUR services offered to commercial banks by the central bank of Kenya. (4mks)
7. List FOUR sources of public finances. (4mks)
8. Give FOUR reasons why an office is necessary in any organization. (4mks)
9. The diagram below shows a shift in demand for rice.



Identify FOUR factors that could have made the demand curve shift from D_oD_o to D_1D_1. (4mks)

10. State FOUR ways in which the stock of a business may change.(4mks)
11. Outline FOUR benefits of business ethnics. (4mks)
12. The following information related to businesses A,B ,Cand D

BUSINESS	ASSESTS	LIABILITIES	CAPITAL
A	250,000	M	150,000
B	N	400,000	600,000
C	150,000	60,000	P
D	350,000	Q	250,000

Determine the figures represented by M,N,P, and Q (4mks)

13. Record the following transactions in a two column cash book of Magunga Traders and balance it off. (4mks)

2012
January 1 – Balance b/d - cash sh 10,000
- bank sh 25,000
January 2 – Bought stock in cash sh 6,000
January 7 – Cash sales shs 2,500
January 12 – With drew cash from bank for office use sh 4,000
January 1st – Paid wages in cash sh . 3,000
January 31st – Received sh 4,500 from Otaro, a debtor by cheque

Magunga Traders

Two Column Cash book for the month of Jan 2012

Dr Cr

Date	Particulars	Cash	Bank		Date	Particulars	Cash	Banks

14. The following account balances were obtained from the books of Kaswanga Traders on 30th June 2011.

		Sh
Land and buildings	-	200,000
Current assets	-	420,000
Furniture	-	60,000
Motor car	-	240,000
Capital	-	480,000
Current liabilities	-	440,000

Required : Prepare a trial balance for Kaswanga Traders as at 30th June 2011

15. The following information was extracted from the books of Gembe Retailers for the year ended 31st December,2010

	Sh
Cost of sales	1,200,000
Stock as at 1.1.2010	160,000
Stock as at 31.12.2010	240,000

Calculate the rate of stock turnover. (4mks)

16. The following balances were extracted from the books of Watber Traders as at 31st December, 2009.

	Sh
Capital	620,000
Motor van	300,000
Stock	140,000
Furniture	100,000
Debtors	120,000

Creditors	60,000
Bank	20,000

Additional information:

On 31st December, 2009 Watber Traders receiver cheques amounting to Sh 40,000 From debtors as part payment of their accounts

Prepare Watber Traders balance sheet as at 31st December,2009. (4mks)

17. Name the factor of production that each of the following resources relate to. (4mks)

Resource	Factor of production
a) Accountant	
b) Motor vehicle	
c) Water	
d) Owner	

18. State FOUR benefits that a government gets from a bonded warehouse. (4mks)
19. List FOUR features of effective communication. (4mks)
20. Give FOUR disadvantages of a long chain of distribution of goods to a buyer. (4mks)
21. Outline FOUR features of a sole proprietorship form of business organization.(4mks)
22. List FOUR causes of business failure. (4mks)
23. State FOUR reasons why a cheque may be dishonoured by a bank. (4mks)
24. State FOUR circumstances under which a trader would advertise his products over the radio instead of television. (4mks)
25. On 1 -8-2010, Onyango bought goods on credit quoted at sh 200,000.Terms of sale were 20% trade discount and 10% cash discount if payment was made on 29 – 8- 2010

    Calculate the amount paid of payment was made on 26 – 08 – 2010.

Set13

Paper 2

1. a) Discuss **FIVE** factors which influence geographical mobility of labour. (10mks)
   b) Explain **FIVE** characteristics of good money. (10mks)
2. a) Describe **FIVE** factors that encourage entrepreneurship in Kenya. (10mks)
   b) Highlight **FIVE** adverse effects of localization of firms in an economy.
3. a) Discuss **FIVE** factors that a government should consider when deciding on a good tax system. (10mks)
   b) Explain **FIVE** factors which may hinder economic development. (10mks)
4. a) Discuss **FIVE** advantages of trade restrictions to a country. (10mks)
   b) Describe **FIVE** merits of public corporations. (10mks)
5. a) Explain **FIVE** challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10mks)

b) On 1st December 2009, Kamau had sh. 55,000 in hand and sh. 250,000 at bank. During the month, the following transactions took place.

December 2 cash sales banked sh. 35,260

3 Bought stationery in cash sh. 4,500

8 Paid Odongo a creditor sh. 94,000 by cheque in full settlement of his account after deduction 6% cash discount

12 received a cheque for sh 58,800 from Wafula after allowing him a cash discount of sh. 1,200

15 paid salaries sh. 34,000 in cash

25 Withdrew sh. 50,000 from bank for office use.

28 Anyango, a debtor paid her account of sh. 75,000 by cheque less 10% cash discount

30 Deposited all the cash into the bank except sh. 13,700

Prepare a three column cash book and balance if off. (10mks)

6. a) Explain **FIVE** uses of National Income statistics.

b) The following trial balance was extracted from the books of Mawego Traders 31st December 2010.

MAWEGO TRADERS

TRIAL Balance as at 31st December,2010

	Dr (shs)	**Cr (shs)**
Gross profit		380,000
Closing stock	274,000	
Capital		259,000
Drawings	83,000	
Creditors		93,000
Premises	103,000	
Debtors	123,000	
Cash at bank	33,000	
Bank loan (2 years)		50,000
General expenses	54,000	
Commission received		20,000
Wages and salaries	132,000	
	802,000	802,000

Prepare:

i) Profit and loss account for the year ended 31st December 2010. (4mks)

ii) Balance sheet as at 31st December 2010. (6mks)

2 Hours

1. Outline **four** importance of business studies in a society. (4 marks)
2. Determine the missing figures represented by Q, R, S and T. (4 marks)

Business	Capital	Assets	Liabilities
A	5,500	16,000	Q
B	9,300	R	15,000
C	S	27,600	16,000
D	1,940	T	2,850

3. Highlight **four** reasons why government participates in business activities. (4 marks)
4. Highlight **four** negative consequences of inflation. (4 marks)
5. Motor bike transport, popularly known as Boda boda is an upcoming business in Ikutha District. State **four** disadvantages of this business. (4 marks)
6. Highlight **four** expenses incurred by a wholesaler when he buys goods from a producer. (4 mark)
7. The following are some of the source documents used in accounting; credit note issued, cash sale receipt, credit note received and invoice issued. Match each of the following books of original entry with the relevant source document (4 marks)

Book of original entry	Source document
a) Sales returns book b) Sales day book c) Purchases returns book d) Cash book	

8. Outline **four** factors that may determine the amount of rent charged for the use of land as a factor of production. (4 marks)
9. Highlight **four** reasons why the government taxes its citizens. (4 marks)
10. Indicate the term described by the following statements. (4 marks)

Statement	Term
a) Inability of a business to meet its financial obligations.	
b) A company that acquires 51% or more shares of another company.	
c) A business that takes over another business by buying off all its assets and liabilities.	
d) A business grants another right to manufacture and distribute its branded products using its name.	

11. Indicate whether the following accounts are <u>personal</u>, <u>nominal</u> or <u>real</u>. (4 marks)
12.

Account	Type
a) Rent b) Discounts c) Creditors d) Land	

13. Name **four** types of utilities created in each of the following circumstances. (4 marks)

Circumstances	Utilities
i) A dairy farmer who delivers milk to Brookside	

diaries.	
ii) Mama Mboga selling vegetables in an open air market	
iii) Freshly harvested fruits are stored in a granary.	
iv) Recycling waste .	

14. The following information was extracted from the books of KM Stores.

Rate of stock turnover 3times
Opening stock Sh.80,000
Closing stock Sh.100,000
Mark-up 20%

Determine the gross profit. (4 marks)

15. Give **four** reasons why plastic money is increasingly being used in business transactions. (4 marks)

16. State **four** items that constitute to injections in the circular flow of income. (4 marks)

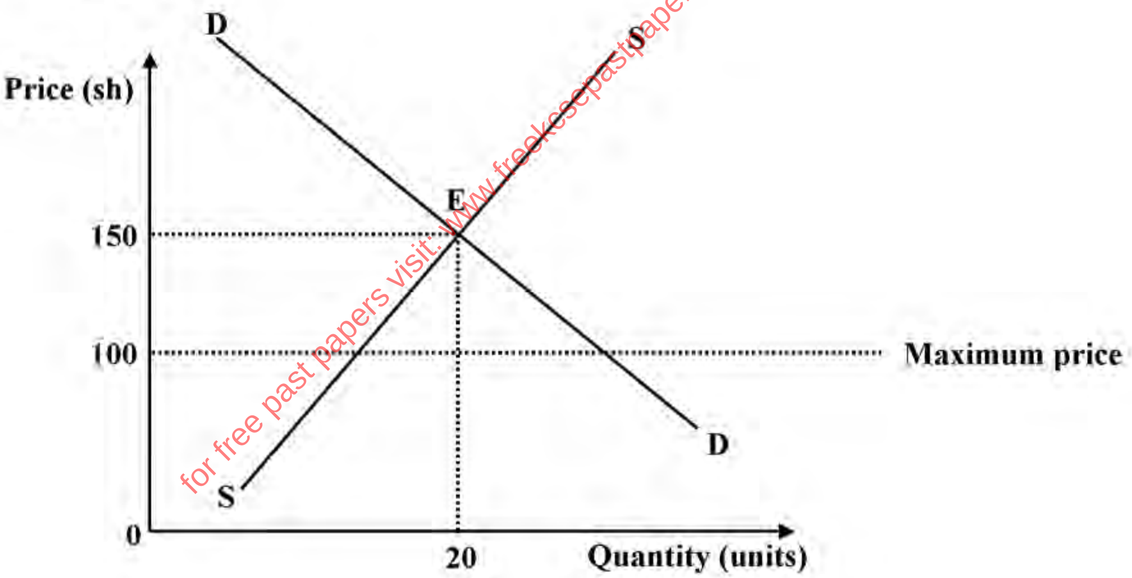
17. Give **four** limitations of Automatic Teller Machines (ATMs) used by commercial banks to provide services for consumers. (4 marks)

18. The institutional memory of an organization depends on how well records are kept. Highlight **four** functions of documents in an organization. (4 marks)

19. State **four** factors hindering development planning. (4 marks)

20. Outline **four** risks against which a shopkeeper may insure. (4 marks)

21. The following diagram shows the equilibrium price of good X as set by the forces of demand and supply.



Suppose the government sets the maximum price at Sh.100 which is below the equilibrium price, highlight **four** effects of such a move. (4 marks)

22. Anyango is employed as a saleslady by Biashara Traders. She is paid a basic salary of Sh.3,000 per month and a commission based on her sales as follows:-

1.5% on the first Sh.100,000
2% on the next Sh.50,000
2.5% on the next Sh.75,000
3% on any sales above Sh.225,000

During the year 2009, Anyango received a monthly income of Sh.41,575.

Calculate her total sales for the year 2009 (show all your calculations). (4 marks)

22. Highlight **four** circumstances under which a firm would be located near the market for its products. (4 marks)

23. Give **four** reasons why many business persons prefer mobile phones to landline telephon (4 marks)

24. Highlight **four** importance of economic integration in Kenya. (4 marks)

25. List **four** factors that may limit the number of entrepreneurs in an area. (4 marks)

Set14

Paper 2

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1. a) Explain **five** ways in which private warehouses differ from public warehouses. (10marks)
   b) Discuss the economic importance of natural resources. (10marks)
2. a) Explain **five** features of monopolistic competition. (10marks)
   b) Discuss **five** advantages of M-banking. (10marks)
3. a) Outline **five** ways in which peace in a country may encourage entrepreneural development. (10marks)
   b) Highlight **five** factors that influence the level of national income in a country. (10marks)
4. a) Explain **five** circumstances in which a trader may offer after sales services. (10marks)
   b) Identify and explain **five** methods of reprography that can be used in an office. (10marks)
5. a) Explain **four** roles of stock exchange as a market for securities in the economy. (8marks)
   b) The following trial balance was extracted from the books of Mzalendo Traders as at 31st Dec 2011.

Mzalendo Traders
Trial balance
As at 31st Dec. 2011

A/C Title	Dr (Sh)	Cr (Sh)
Fixed assets	292,600	
Current assets	78,000	
Rent income		23,000
Discounts	3,000	2,000
General expenses	89,000	
Carriage inwards	28,000	
Purchases /sales	280,000	474,000
Returns	4,600	7,000
Stock 01/01/2011	46,000	
Drawings	33,000	
Current liabilities		53,000
Capital		295,200
	854,200	854,200

Stock on 31st Dec. 2011 was Sh. 54,000.

Required:

i) Prepare trading, profit and loss accounts for the year ending 31st December 2011. (8marks)

Calculate;

ii) Rate of return on capital employed. (2marks)

iii) Rate of stock turn over. (1mark)

iv) Gross profit margin as a percentage. (1mark)

6. a) Explain **five** determinants of economic growth. (10marks)

b) The following transactions relate to Busbul Traders for the month of December 2011.

Dec 1: Started a business with Sh.200,000 in the bank account.

Dec 2: Bought furniture for Sh.50,000 and paid by cheque.

Dec 3: Sold goods on credit to Tila Sh.20,000, Katu Sh.10,000.

Dec 4: Bought goods on credit from Kahama Sh.30,000, Kanga Sh.40,000.

Dec 5: Returned faulty goods to Kahama Sh.5,000.

Dec 6: Paid Kahama on account by cheque less 10% cash discount.

Dec 7: Received faulty goods from Katu Sh.2,000.

Dec 8: Received payment due from Tila and Katu by cheque less 5% cash discount.

Dec 9: Cash sales Sh.100,000.

Dec 10: Paid wages Sh.20,000 by cash and electricity Sh.10,000 by cheque.

Dec 11: Deposited all cash in hand into the bank account.

Required:

Prepare a three column cash book duly balanced (10marks)

Set15

565/1
BUSINESS STUDIES
THEORY
Paper 1
2 Hours

1. State any **four** circumstances under which air transport may be used. (4mks)
2. Highlight **four** ways in which productivity of labour can be improved. (4mks)
3. Outline any **four** differences between public companies and parastatals. (4mks)

Public Companies	Parastatals
(i)	(i) ....
(ii)	(ii) ....
(iii)	(iii) ....
(iv)	(iv) ....

4. Outline **four** reasons why the government issue licences to drivers. (4mks)
5. State **four** emerging trends in product promotion. (4mks)
6. Outline any **four** reasons why the Kenya government levy taxes on some commodities. (4mks)
7. Highlight any four functions of the central bank.
8. Indicate books of original entry for the following transactions. (4mks)

Transaction	**Book of Original entry**
(a) Sold goods on credit	
(b) Bought computer on credit	
(c) Withdrew money from bank for personal use.	
(d) Bought goods on credit	

9. Identify any **four** main obstacles to the implementation of development plans in many developing countries. (4mks)
10. State the department where the following functions are carried out. (4mks)

Function	**Department**
(a) Deals with staff recruitment and human resource development	
(b) Collects, records and analyses all business transactions.	
(c) Changes Raw materials to finished goods.	
(d) Selling finished products.	

11. Outline **four** circumstances under which sign language may be appropriate. (4mks)
12. State **four** reasons why people may prefer to take an endowment policy other than a whole life policy. (4mks)
14. By use of a well labeled diagram, show the effect of an increase in supply of a product on equilibrium price and quantity. (4mks)
15. State **four** characteristics of a perfectly competitive market (4mks)
16. Highlight four services offered by wholesalers to producers. (4mks)

17. The following information was extracted from the books of Kibukwo Traders on 31 December 2010.

Gross Profit	100,000
Carriage outwards	2,000
Electricity expense	3,000
Accrued electricity expense	1,000
Commission Income	500
Rent	5,000
Prepaid Rent	2,000

Using the information given above prepare Kibukwo's Profit and Loss Account for the period ended 21/12/2010. (4mks)

1. List **four** factors which may influence the level of national income in Kenya. (4mks)
2. State **four** reasons why a manufacturer would sell his products directly to the consumer. (4mks)
3. Outline **four** measures that Kenya may take to control population explosion.
4. The information given below relates to Kapkures stores on 31 December 2009. (4mks)

Stock (1/1/2009)	37,500
Purchases	136,250
Stock 31/12/2009	13,750
Margin	20%
Expenses	2,000

Using the information given above calculate:

i) Cost of Sales
ii) Gross profit
iii) Sales
iv) Net profit

5. State any **four** advantages of a bonded warehouse to the government. (4mks)
6. Highlight any **four** factors that determine the size of the firm. (4mks)
7. The following are transactions of Chumba Traders for the month of January 2011.

January Balances: Cash shs. 100,000 (Dr) Bank shs. 20,000 (Cr)

1 Purchased stock worth sh. 42,000 and was given 2% cash discount.
2 Sold goods worth shs. 120,000 and received cash after allowing 4% discount.

Required: Enter the above transactions in a three column cashbook and balance it off (4mks)

8. State any **four** advantages that Kenya will enjoy by being a member of East African Community. (4mks)
9. Gloria started business with Ksh. 20,000 in cash on 1st January 2009.

Jan. 1: Bought stock worth 10,000 in cash.
Jan. 2: Sold goods worth Ksh. 5,000 receiving a cheque payment.
Jan. 3: Took cash worth Ksh. 1,000 for personal use.
Open the ledger accounts and post the above transactions. (4mks)

Set15
Paper 2

1. (a) Explain **five** reasons why the demand for a commodity may not significantly rise with a decrease in its price. (10mks)

(b) Highlight **five** differences between shares and debentures. (10mks)

2. (a) Explain **five** problems associated with the output approach in computation of national income of a country. (10mks)

(b) Outline **five** measures that the Kenyan Government may take to reduce unemployment. (10mks)

3. (a) The following Trial Balance relates to Katiba Traders for the year ended 31st January 2008

Capital		220,000
Land & Buildings	140,000	
Machinery	43,200	
Furniture	40,000	
Debtors	156,000	
Creditors		100,000
Opening stock	2,200	
Bank	120,000	
Cash	18,000	
Sales		30,800
Sales returns	800	
Purchases	16,000	
Purchases Returns		2,400
General Expenses	2,400	
Carriage Inwards	800	
Carriage Outwards	1,800	
Rent Received		5,000
Commission Received		2,000
Salaries and Wages	12,000	
Electricity	1,400	
Insurance	3,000	
Postage	600	
Drawings	2,000	
Bank Loan		200,000
TOTAL	**560,200**	**560,200**

Note: Closing Stock on 31st January 2008 was valued at Kshs. 5,000., Prepare:

(i) Trading, Profit and Loss Account for the year ended 31st January 2008. (8mks)

(ii) Balance Sheet as at 31st January 2008. (4mks)

(b) Highlight **four** reasons that may make an insurance company to refuse to compensate the insured in the even that a risk occurs. (8mks)

4. (a) Explain **five** factors that may lead to a deficit in balance of payment in a country. (10mks)

(b) Explain **five** importance of a warehouse to a trader. (10mks)

5. (a) Explain **five** importance of filing documents in an organization. (10mks)

(b) A manufacturing company operates on imprest of sh. 10,000. On 1/6/06 the petty cashier had a balance of sh. 4,000. She received a reimbursement to restore it on 5/6/06. The following transactions took place during the month:

June 8: Paid Amos a small scale creditor Shs. 500.
June 9: Paid postage Sh. 300
June 10: Paid for cleaning Sh. 480
June 11: Bought stamps for Sh. 180
June 12: Paid for cleaning Sh. 750
June 13: Paid for traveling Sh. 400

June 14: Paid for tea leaves Sh. 450

June 15: Paid for stationary Sh. 430

Required:

Prepare a Petty Cash book for the manufacturing firm for the month of June 2006 with the following analysis columns. (10mks)

Travelling ii.) Cleaning iii) Stationary iv) Postal v) Tea

6. (a) Explain **five** considerations to be made when deciding on a good tax system. (10mks)

(b) Outline **five** changes that may take place when a country is experiencing economic development. (10mks)