

Name: ..... Index no .....

School: ..... Candidate's sign .....

Date: .....

**565/1  
BUSINESS STUDIES  
PAPER 1  
JULY /AUGUST 2011  
TIME: 2 HOURS**

# BUSIA DISTRICT JOINT EVALUATION TEST

*Kenya Certificate of Secondary Education (K.C.S.E.)*

**Business Studies  
Paper 1**

**INSTRUCTIONS TO CANDIDATES:**

- Write your **name** and **index number** in the spaces provided.
- Answer **all** the questions
- All answers **must** be written in the spaces provided in this booklet.

**For Examiner's Use Only:**

QUESTION	1	2	3	4	5	6	7	8	9	10	11	12	13	14
MARKS														

QUESTION	15	16	17	18	19	20	21	22	23	24	25
MARKS											

**TOTAL MARKS**

*This paper consists of 8 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing*

1. Outline **four** negative effects of liberalization to a country (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....
2. State **four** ways in which the Kenya National Chamber of commerce and industry (K.N.C.C) promotes development of business activities in Kenya, (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....
3. Highlight **four** problems associated with high population growth rate in a developing country like Kenya. (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....
4. Outline **four** challenges that a new entrepreneur will experience when establishing business in Kenya (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....
5. Outline **four** tools used by central bank to control credit. (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....
6. State **four** advantages of taking an endowment insurance policy (4mks)
  - i).....
  - ii).....
  - iii).....
  - iv).....

7. Highlight **four** disadvantages of cartels to consumers. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

8. Kenya has been experiencing an upward trend in the price of petrol as a result of inflation. State **four** steps that can be taken to minimize expenditure on petrol. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

9. Given below are books of original entry, state the source document used to prepare each of the books. (4mks)

Books	Source document
(i) Cash book	
(ii) Sales journal	
(iii) Purchase journal	
(iv) Sales return journal	

10. State **four** ways in which mobile phones service are important in promoting business activities. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

11. Highlight **four** disadvantages of a monopoly. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

12. Highlight **four** reasons why many African countries fail to achieve high economic growth rates. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

13. Outline **four** circumstances under which a producer would not require a lot of warehousing space.

(4mks)

- i).....
- ii).....
- iii).....
- iv).....

14. The for following information relates to Bukhayo Traders for the year ended 31<sup>st</sup> December 2010

	shs.
Opening stock	65,000
Purchases	250,000
Sales	33,000
Profit margin	15%
Closing stock	?

**Required.**

Prepare Bukhayo Traders trading account for the year ended 31<sup>st</sup> December 2010

(4mks)

15. Outline **four** functions of a microfinance institutions in Kenya.

(4mks)

- i).....
- ii).....
- iii).....
- iv).....

16. Maziwa had shs. 60000 in his business bank account as at January 1<sup>st</sup> 2011. During the month the following transactions took place

- Jan 2<sup>nd</sup> withdrew shs. 40,000 from bank for office use.
- “ 3<sup>rd</sup> credit sale to Juma shs. 25,000
- “ 6<sup>th</sup> paid salaries in cash shs.25,000
- “ 10<sup>th</sup> credit purchase from Jane shs 40,000
- “ 14<sup>th</sup> Maziwa took cash shs, 10,000 to pay school fees.
- “ 19<sup>th</sup> received a cheque from Juma shs. 20,000
- ” 25<sup>th</sup> returned goods to Jane shs. 2,000
- “ 28<sup>th</sup> took all the cash to the bank leaving a balance of shs.1,000

**Required**

Prepare a duly balanced two column cash book.

(5mks)

Date	Details	F	Cash	Bank	Date	Details	F	Cash	Bank

17. Highlight **four** drawbacks that a firm may experience by employing a customer care (receptionist) who has bad qualities. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

18. Highlight **four** reasons why hypermarkets are increasingly becoming popular in Kenya. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

19. Outline **four** circumstances under which personal selling is appropriate. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

20. The following information was obtained from the books of citizen traders on 31<sup>st</sup> July 2010

	shs.
Motor vehicle	80,000
Plant and machinery	70,000
Bank loan	60,000
Stock	25,000
Debtors	30,000
Cash in hand	20,000
Creditors	30,000

**Required.**

Prepare Citizens Traders balance sheet as at 31<sup>st</sup> July 2010.

21. The following information relates to Jua Kali enterprises for the year ended 31<sup>st</sup> March 2011  
Mark up 25%

Sales ksh. 250,000

**Determine**

(i) Gross profit (2mks)

(ii) The margin percentage (1mk)

(iii) Cost of goods sold (1mk)

22. Highlight **four** circumstances under which specialization in production may not be necessary. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

23 List **four** major sources of Government revenue. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

24.Highlight **four** ways the Government can use to influence the demand of a commodity in the market. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

25. Classify each of the following goods as either producer or consumer goods.

(3mks)

<b>Goods</b>	<b>Classification</b>
a) Factory	
b) Private car	
c) Iron ore	
d) Tools	
e) Exercise books	
f) Clothing	