

565/ 1

**PAPER 1**

1. Give four ways in which the productivity of human effort can be improved (4mks) \*Kyo\*
2. Give four differences between a proforma invoice and an invoice (4mks) \*Kyo\*
3. Outline the suitable terms that describes the following statements (4mks) \*Kyo\*

<b>Statement</b>	<b>Term</b>
i) Presenting a cheque for payment before time	
ii) A polite way of requesting for payment before goods are dispatched	
iii) An unconditional order written by seller to buyer when demanding for payment	
iv) Inferior goods which require the accompaniment of other goods which are slightly expensive to yield satisfaction	

4. Identify four ways through which franchising can be affected (4mks) \*Kyo\*
5. Mention four external diseconomies of scale (4mks) \*Kyo\*
6. Outline four methods used by the government to control monopoly powers in an economy (4mks)
7. The table below shows the demand and supply schedules of a commodity in the market.

<b>Price</b>	<b>Quantity demanded</b>	<b>Quantity supplied</b>
(SH)	Kgs)	(Kgs)
10	100	30
12	90	40
14	80	50
16	70	60
18	60	70
20	50	80
22	40	90

From the above schedule:

- (i) Give the nature of the supply of the commodity (1mk) \*Kyo\*

- (ii) Give the nature of the demand of the commodity (1mk) \*Kyo\*
- (iii) With the help of the diagram label the equilibrium prices and the equilibrium quantity (2mks) \*Kyo\*

8. The following trial balance was incorrectly prepared.

**KALWAL TRADERS**

**Trial Balance As at 31/12/2004**

	<b>DR</b>	<b>CR</b>
Capital		31,000
Cash in hand	11,000	
Creditors	14,000	
Insurance		12,000
Debtors	13,000	
Drawings		15,000
Bank overdraft		6,000
Bank loan	<u>18,000</u>	
Stock		<u>18,000</u>
<b>Total</b>	<b>56,000</b>	<b>82,000</b>

Required: Prepare the correct Trial Balance.

(5mks)\*Kyo\*

9. State three reasons justifying the use of a credit note in a business transaction (3mks) \*Kyo\*

10. Identify the source documents that can be used in recording each of the following transactions

(4mks) \*Kyo\*

- To correct an undercharge in an invoice .....
- To pay casual workers in an organization .....
- To show that a credit transaction has taken place .....
- To show that a cash transaction has taken place .....

11. The following transactions took place in the month of March 2006 in the business of Kandie

- March 2. Bartany traders returned goods worth Ksh. 2800
- March 10. Mondane traders returned goods worth Ksh. 1200
- March 15. Goods worth Ksh. 800 was returned to Safina traders.
- March 20. The supplier of iron sheets-Kivuva who was owed Ksh. 18,000 dispatched other items which were finally returned.
- March 22. Returned goods worth Ksh. 1600 to Ukwala traders
- March 28. Goods dispatched by Kokwo traders worth Ksh. 2400 got damaged while on transit and were returned.

Required: Prepare the Returns Inwards Journal for Kandie Traders

(4mks) \*Kyo\*

12. Outline four sources of funds to a municipality

(4mks) \*Kyo\*

13. Outline four benefits of Barter Trade

(4mks) \*Kyo\*

14. The following statement shows the various levels of Economic Integration. Against this statements, give the level that suits each. (4mks) \*Kyo\*

Statement	Level
a) Member countries imposes common tariffs on non-member states	
b) Member countries have joint economic institution and common monetary and fiscal policies	
c) Member countries agree to either abolish or relax tariffs and other barriers	
d) Member countries allow free movement of factors of production	

15. State four measures that has been introduced by the Transport Licensing Board in its efforts to curb road carnage in Kenya. (4mk) \*Kyo\*

16. Give four reasons why most firms prefer open office layouts to closed one. (4mk) \*Kyo\*

17. State four factors that affect the circular flow of Income in an economy. (4mks) \*Kyo\*

18. Highlight four types of bills of exchange. (4mks) \*Kyo\*

19. State three contents of Partnership Act. (3mks) \*Kyo\*

20. The following information relates to Koswo Traders as at 31.12.2005,

Opening Stock	15,000
Sales	75,000
Purchases	50,000
Returns Inwards	8,000
Returns Outwards	4,000
Closing Stock	10,000

Calculate:

a) Cost of sales (2mks) \*Kyo\*

b) Gross profit. (1mk) \*Kyo\*

c) Net sales (1mk) \*Kyo\*

d) Net purchases (1mk) \*Kyo\*

21. Give three types of crossings in a cheque (3mks) \*Kyo\*

22. Outline three reasons for low geographical mobility of labour in Kenya. (3mks) \*Kyo\*

23. "Planning is primary in the management of a firm". State four reasons in support of this statement (4mks) \*Kyo\*

24. Cell phones are a common medium of communication today". Give four disadvantages of this medium of communication. (4mks) \*Kyo\*

25. Kamau, a sole trader does not keep a complete set of books. After scrutinizing his documents and interviewing him, the following information was available.

	1.1.2005	31.12.2005
Furniture	—	60,000
Stock	23,000	45,000
Delivery van	137,000	1 12,000
Trade Debtors	25,400	30,900
Trade Creditors	18,500	15,100
Commission received in advance	5,800	4,400
Cash in hand and at bank	14,000	17,300
Light and heat accruing	—	6,000
Bank Loan	—	32,000

Required: Use the above information to determine Kamau's Net profit or loss realized during the Year. (5mks) \*Kyo\*