

Name Index No.

School

565/1
BUSINESS STUDIES
Paper 1
July / August 2014
2 Hours

MMS JOINT EXAMINATION - 2014
Kenya Certificate of Secondary Education (K.C.S.E)

565/1
BUSINESS STUDIES
Paper 1
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INSTRUCTIONS TO CANDIDATES:

- Answer ALL the questions in the spaces provided.

FOR EXAMINERS 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

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*This paper consists of 10 printed pages
Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.*

1. Rain water and cloth are basic human wants. State three characteristics of rain water that makes it different from a cloth. (3mks)
2. Classify the following costs into either fixed or variable costs. (4mks)
 - a. Rent.....
 - b. Raw materials.
 - c. Fuel consumed.
 - d. Insurance property.
3. State four indicators of business threats (4mks)
4. Highlight on four factors that may bring about improved national income of our country Kenya. (4mks)

5. The table below shows the description and the category of inflation. Fill in blank spaces the category of inflation described. (4mks)

DESCRIPTION	CATEGORY
(i) Has no effect on the output, employment or income distribution	
(ii) A period of high inflation and high unemployment	
(iii) The government can prevent it by using deliberate measures.	
(iv) Prices increase at steady rate over time.	

6. Highlight four factors that may lead to low taxable income capacities in developing countries. (4mks)
7. Describe four measures that one would take when the trial balance fails to balance. (4mks)
8. Below is a table showing population totals in Kenya for the years 1969, 1979, 1989 and 1999 population census.

YEAR	1969	1979	1989	1999
Total population	10,942, 705	15,327,061	21 ,443,636	28,686,607
% growth rate		4.0	3.9	3.3

- Give four reasons to account for the trend depicted above. (4mks)
9. List four documents which are required to be filled with the registrar of companies to facilitate registration of limited liability companies. (4mks)
10. State four reasons that may account for the existence of oligopoly markets. (4mks)
- 11 . Mention four benefits that consumers get from small-scale retailers. (4mks)
12. Under what three circumstances would a trader allow a customer to pay cash on delivery? (3mks)
13. Outline four disadvantages of devaluating a country's currency. (4mks)

14. The balance sheet below relates to Prime enterprises as at 1st July 2007.

**PRIME ENTERPRISES
BALANCE SHEET
AS AT 1/7/2007**

Cash in hand	32,000	Capital	190,000
Stock	47,000	Bank overdraft	23,000
Buildings	43,000	2year loan	80,000
Debtors	26,000		
Land	150,000	Creditors	105,000
	398,000		398,000

During the month of July the following transactions took place.

July 6 - Sold stock paid by cheque shs. 27,000

July 10 - Received cash shs. 18,000 from a debtor.

July 13 - Paid creditors cash shs. 95,000 from personal savings.

Required:

- Prepare PRIME balance sheet as at 13-7-2007. (5mks)
15. Outline four circumstances under which a firm may be the sole supplier of a product in the market. (4mks)
16. List four ways in which public debts can be redeemed. (4mks)
17. (a) State the law of supply. (1mk)
(b) Highlight three circumstances under which a good may have inelastic demand despite price changes. (3mks)
18. Study the information below and answer the questions that follow.

ABC COMPANY LTD
NOTICE TO ALL MEMBERS
The meeting scheduled for 21/4/2008 has been postponed until further notice.
Managing Director
 J K MWINAMO

- (a) What is the name of the document? (1mk)
- (b) State any feature of the document that makes you give it the above name. (1mk)
- (c) Give two advantages of using the above document. (2mks)
19. The following figures were extracted from Onyango's Trading account.
- | | |
|---------------|------------|
| Opening stock | sh. 37,000 |
| Mark-up | 25% |
| Purchases | 210,000 |
| Closing stock | 39,000 |
- Calculate:
- a) Sales (3mks)

- b) Stock turn over. (2mks)
20. Highlight four factors to be considered when determining the most suitable business opportunity from a variety of business ideas. (4mks)
21. Highlight four circumstances that make a country reluctant to join a trading bloc. (4mks)
22. The following journals relate to Malingumu traders In the year 2006

Purchases journal

Date	Details	Amount
June 2	Kinga traders	72,000
June 7	Kima traders	23,000
June 11	Salome traders	31,000

Purchases Returns journal

Date	Details	Amount
June 9	Kima traders	11,000
June 15	Salome traders	6,000
June 18	Kinga traders	4,720

23. From the above journals prepare Kinga's creditors ledger account and balance it. (4mks)
- The following are functions of some departments in an organization. In the spaces below write the name of the department whose function is given. (4mks)

Function	Department
a) Processing payment	
b) Recruitment of workers	
c) Procuring of supplies	
d) Doing the overall management	

24. The following information was collected from the books of Namanga traders for the year ended 31st December 2006.

Debtors 31 st Dec 2006	42,300
Returns inwards	2,300
Bad debts written off	3,100
Discount allowed	4,600
Debtors Jan 1 st 2006	34,000
Cash sales	334,000
Dishonored cheque from debts	19,000
Discount disallowed	450
Receipts from debtors	198,000

- Required: Determine the total sales for the year ended 31st Dec. 2006. (4mks)
25. State the document to be applied in each of the following statements. (4mks)

STATEMENT	DOCUMENT
(i) A request by a seller for advance payment	
(ii) Used to correct undercharge in an invoice	
(iii) To reply to specific Setter of inquiry	
(iv) To inform the buyer when goods were dispatched and by what means	

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