

# 1. INTRODUCTION TO BUSINESS STUDIES

## PAST KCSE PAPER 1

1. 1995 Highlight four ways in which business studies is useful to a community. (4mks)

## 2. SATISFACTION OF HUMAN WANTS.

1. 1995 Classify each of the following goods as either producer or consumer (3mks)

Good	Classification
a) Factory	
b) private car	
c) Iron ore	
d) Tools	
e) Exercise books	
f) Clothing	

2. 1996 outline three characteristics of basic human wants. (3mks)
3. 1996 outline four measures that may be taken to conserve forests in Kenya (4mks)
4. 1997 State four ways in which natural resources may be of benefit to a country. (4mks)
5. 1997 Give four reasons why a consumer should satisfy basic wants before secondary wants. (4mks)
6. 1998 Kenya relies heavily on oil as a source of energy. State four reasons why the country should develop alternative sources of energy. (4mks)
7. 1999 State four reasons why consumers have to make a choice between competing needs. (4mks)
8. 2000 State four characteristics of human wants. (4mks)
9. 2001 State three basic wants that individuals in a society have (3mks)
10. 2002 highlight four disadvantages of mining as an economic activity (4mks)
11. 2003 State four reasons why a government may decide to control the exploitation of its natural resources. (4mks)
12. 2004 State whether each of the following activities would satisfy basic or secondary needs. (4mks)

**Activities**

**Basic / Secondary**

- a) Buying clothes for the family
- b) Transporting farm produce
- c) Providing food for school children
- d) Entertaining a guest

13. 2005 Outline four ways in which commerce satisfies human wants,(4mks)

### 3. PRODUCTION

#### PAST KCSE PAPER 1

1. 1995 classify each of the following production activities as either primary or tertiary.

(3mk)

Activity	Level of production
a) Digging clay soil	
b) Constructing a bridge	
c) Selling in shop	
d) Making tea	
e) Transporting medicine	
f) Growing vegetables	

2. 1997 Outline four reasons why production in the substance sector is usually low. (4mks)

3. 1998 Name four commercial services which are useful to the manufacturer. (4mks)

4. 1999 Outline four reasons why a multinational company may prefer setting up a production unit in a developing country instead of exporting finished goods to the country. (4mks)

5. 1999 classify each of the following activities as either primary, secondary or tertiary. (4mks)

Activity	Classification
a) Planting maize	
b) Grinding maize	
c) Selling maize	
d) Harvesting maize	

6. 1999 State the meaning of the following terms. (4mks)

Consumer goods

Producer goods

7. 2000 Name the factor that each of the following resources relate to (5mks)

Resource	Factor of production
a) Manager	
b) Vehicle	
c) Cotton	
d) Water	
e) Owner	

8. 2001 Outline three characteristics of direct production. (4mks)

9. 2002 Outline four factors that may account for predominant direct production (4mks)
10. 2004 list four functions of entrepreneurs as a factor of production (4mks)
11. 2005 State four roles of an entrepreneurs in production. (4mks)

**PAST KCSE PAPER 2**

1. 1996 Highlight five ways in which an Entrepreneurs contributes to the production of goods.
2. 2004 Explain five ways in which large scale organization are able to reduce their costs of production. (10mks)

**7. OFFICE**

**PAST KCSE PAPER 1**

1. 1995 State three reasons why office documents should be filed. (3mks)
2. 1996 Outline four duties of an office manager. (4mks)
3. 1997 The following are types of office equipment. Paper, fax machine, telex and telephone. In the table below, match each equipment with its appropriate function. (4mks)

Function	Equipment
a) Sending and receiving written messages	
b) Sending and receiving verbal messages	
c) Sending and receiving copies of messages	
d) Sending messages one way only.	

4. 1998 list four qualities of an office messenger. (4mks)
5. 1999 State four factors that determine the period for which documents should be stored. (4mks)
6. 2002 In the space provided name the office equipment used to perform each of the following tasks.

Functions	Equipment
a) Printing stamp impression on envelopes	
b) Cutting paper into required sizes	
c) Pinning papers together	
d) Recording, processing, sorting & retrieving information	

7. 2003 Outline four function of an office (4mks)
8. 2004 Outline four functions of the office in an organization (4mks)

**8. HOME TRADE  
PAST KCSE.**

1. 2003 Highlight four factors that may contribute towards the growth of business in the country. (4mks)
2. 2004 State four uses of an invoice for a seller of goods. (4mks)

**9. FORMS OF BUSINESS  
PASS KCSE PAPER 1**

1. 1995 Highlight four advantages of large – scale business organization. (4mks)
2. 1995 in the spaces provided, indicate by writing true or false whether each of the following statements is true or false about articles of association of a company. (5mks)

Statement	True / false
a) It contains the activities the company is engaged in	
b) Indicates the procedures to be followed in calling meetings	
c) It contains details of election procedures	
d) It indicates the liabilities of the shareholder	
e) It contains the rights of each shareholders	

3. 1996 State five advantages of sole proprietorship form of business (5mk)
4. 1996 Outline four benefits that Kenya may derive from multi – national operating in the country. (4mks)
5. 1997 State four advantages of a partnership over a sole –proprietorship. (4mks)
6. 1998 Highlight benefits an investor gets by buying debentures. (4mks)
7. 1998 highlight four benefits of joining a savings and credit co – operative society. (4mks)
8. 1998 State four advantages of a hawker over a shopkeeper. (4mks)
9. 1999 Highlight four factors that may have hindered the growth of co-operative movements in Kenya. (4mks)
10. 2000 in the spaces provided below, indicate with a tick whether each of the following statements related to preferences or ordinary shared. (3mks)

Statement	preference shares	Ordinary Shares
a) Represent ownership		
b) Rate of divided is fixed		
c) Has voting rights		
d) Considered first in liquidation		

- e) Redeemable  
f) May be cumulative

11. 2000 Outline four features of a sole proprietorship form of business organization (4mks)  
12. 2000 Outline four advantages of large business organizations. (4mks)  
13. 2001 Outline four features of trade credit as a source of finance (4mks)  
14. 2001 State four reasons why a government may find it necessary to nationalize some industries. (4mks)  
15. 2001 in the spaces provided name the type of business organization described by each of the following features.

Description	Business Org
a) Each member has only one role	
b) The business enjoys perpetual succession	
c) Each member may act on behalf of the business	
d) Formed by an Act of parliament	

16. 2001 Outline four measures that can be taken to improve efficiency of parastatals in Kenya. (4mks)  
17. 2002 Outline four ways in which a savings and credit co – operative society can raise capital. (4mks)  
18. 2002 Outline four features of a private company (4mks)  
19. 2003 Outline four features of a private company (4mks)  
20. 2003 List four sources of short – term finance for a business enterprise (4mks)  
21. 2003 Highlight four disadvantages of cartels to consumers. (4mks)  
22. 2004 Give five benefits of expanding a business (5mks)  
23. 2005 Give four benefits of operating a small scale business over a large scale. (4mks)

### PAST KCSE PAPER 2

1. 1995 Explain five principles under which cooperative societies should be managed (10mks)  
2. 1995 Explain five problems that farmers encounter when they sell their produce through marketing boards. (10mks)  
3. 1996 Explain five sources of short term finances available to a business organization. (10mks)  
4. 1997 currently the government of Kenya is involved in privatizing public corporations. Explain five reasons that could make the government retain some of the corporations.

- (10mks)
5. 1997 describe five disadvantages of running a business as a sole proprietor (10mks)
  6. 1998 A group of businessmen from town x have formed a cartel. What reason could have led them to take such an action (10mks)
  7. 1999 Explain five reasons why a public limited company may prefer to raise finance through issue of ordinary shares instead of debentures. (10mks)
  8. 1999 Outline the differences between a private limited company and a public corporation (10mks)
  9. 2000 In what ways do multinational corporations differ from locally owned firms. (10mks)
  10. 2001 Discuss the factors that may influence the growth of a business unit. (12mks)
  11. 2001 explain the factors that make it difficult for many Kenyan to purchase houses through building societies. (6mks)
  12. 2002 Explain the six benefits that may account to a business organization which expands the scale of its operation. (12mks)
  13. 2002 Draw five differences between public limited company and a partnership form of a business. (10mks)
  14. 2003 Describe the problems associated with a sole proprietorship form a business (10mks)
  15. 2003 explain six benefits that a company would get by raising capital through sale of ordinary shares (12mks)
  16. 2004 Wafula who recently retired would like to invest his retirement benefits in either of tow business options. Explain five factors that Wafula should consider in choosing the business to invest. (10mks)
  17. 2005 Outline 4 reasons why the government may decide to nationalize some business enterprises. (10mks)

**10. GOVERNMENT AND BUSINESS**  
**KCSE PAST PAPER 1**

1. 1995 State four ways in which the Kenya Government protects consumers (4mks)
2. 1995 Give three disadvantages of railway transport in Kenya (3mks)
3. 1996 State four ways in which a government may regulate business activities (4mks)
4. 1997 Outline four reasons why a government may find it necessary to protect consumers.

(4mks)

5. 1998 outline four reasons why the government participates in business protection. (4mks)
6. 1999 Highlight four limitations of using consumer initiated methods in consumer unfair business practices by traders. (4mks)
7. 2000 State four reasons why a government may want to be involved in commercial activities (4mks)
8. 2004 State four reasons why a government may want to be involved in commercial activities (4mks)
9. 2005 Give four functions of the Kenya external trade authority. (4mks)

### **KCSE PAST PAPER 2**

1. 1998 Explain in the business malpractice that consumer need to be protected against by the government. (10mks)
2. 2003 Explains six functions of marketing boards in Kenya (12mks)
3. 2004 Outline five measures that the government of Kenya has put in place to protect consumers from unscrupulous business practices. (10mks)
4. 2005 Explain 5 reasons why consumers need protection against malpractices by some traders. (10mks)
5. 1995 outline 5 circumstances under which the government may find it necessary to nationalize an industry. (10mks)
6. 1997 Explain 5 problems that farmers may face when they sell their produce through marketing boards. (10mks)
7. 1999 explain how the Kenya national chamber of commerce and Industry ( KNCCI) promotes development of businesses activities in Kenya. (10mks)
8. 2001 discuss the problems faced by KETA (10mks)

### **11. TRANSPORT**

#### **KCSE PAST PAER 1**

1. 1996 State four circumstances under which a businessman would choose to transport goods by air? (4mks)
2. 1997 Outline four reasons why a school in Kisumu may prefer to transport its sixty students to a music festival in Nairobi by train rather than by bus. (4mks)
3. 1999 Give five reasons why a manufacturing firm would be located in an area well served by good road network. (4mks)



4. 1999 Outline four limitations of containerization.  
(4mks)
5. 2000 State four reasons why road transport is popular in Kenya.  
(4mks)
6. 2001 State four ways in which the nature of goods would influence the choice of transport.  
(4mks)
7. 2002 Outline four reasons why a transporter of goods from Mombassa to Nairobi may prefer rail transport to road transport.  
(4mks)
8. 2003 State the unit of carriage for each of the following modes of transport.  
(5mks)

Mode of transport	Units of carriage
a) Portage	
b) Sea	
c) Road	
d) Cartage	
e) Air	

9. 2004 list four ways in which transport promotes growth of trade.  
(4mks)
10. 2000 State four reasons why road transport is popular in Kenya.  
(4mks)
11. 1995 Give 3 disadvantages of railway transport in Kenya.  
(4mks)
12. 1998 List 4 disadvantages of using containers to transport goods.  
(4mks)

**KCSE PAST QUESTIONS PAPER 2**

1. 1995 Explain five reasons that may account for continued use of hand carts as a mode of transport in Kenya.  
(12mks)
2. 1996 The oil pipeline has recently been extended from Nairobi to western Kenya. Explain five benefits that may be accounted to the country from the extension.  
(10mks)
3. 1997 Explain five ways in which an efficient road transport system may promote trade within a country.  
(10mks)
4. 1998 Discuss five factors that have hindered the expansion of railway transport in Kenya.  
(10mks)
5. 1999 Explain five features of an efficient transport system  
(8mks)

6. 2000 Explain the advantages of pipeline as a mode of transporting oil products. (12mks)
7. 2002 Outline five factors that should be considered when choosing a means of transport. (10mks)
8. 2003 Explain six advantages of containerization as a mode of transport. (10mks)
9. 2004 Discuss six factors that may discourage the use of pipeline as a means of transporting petroleum products in a country. (12mks)
10. 2005 Discuss 5 circumstances under which a trader may choose to transport goods by rail. (10mks)

## 12. COMMUNICATION

1. 1996 Outline four reasons why a business person may prefer written communication to verbal communication. (5mks)
2. 1997 State five services offered by the post office. (5mks)
3. 1998 State four advantages of verbal communication. (4mks)
4. 1999 Highlight four advantages of using telex as a means of communication. (4mks)
5. 2000 State four features of effective communication. (4mks)
6. 2001 State four reasons why the post office is still popular as a means of sending letters. (4mks)
7. 2002 give four reasons why a person would send a message by mail rather than by telephone. (4mks)
8. 2003 highlight four factors that may limit the use of telephone as a means of communication in Kenya. (4mks)
9. 2004 State four problems that may interfere with the effectiveness of face to face communication. (4mks)

## 13. WAREHOUSING

### PAST KCSE QUESTIONS PAPER 1

1. 1995 Outline four features of a bonded warehouse (4mks)
2. 1996 Highlight four ways in which a warehouse is useful to a trader. (4mks)
3. 1997 List three advantages of warehousing to a manufacturer. (3mks)
4. 1998 Outline four benefits that consumers get from a warehousing (4mks)
5. 1999 Outline four factors that a trader would consider in locating a warehouse. (4mks)
6. 2000 State four benefits that a government gets from a bonded warehouse. (4mks)

7. 2001 State four features of a bonded warehouse (5mks)
8. 2002 State four advantages of public warehouse to retailers. (4mks)
9. 2003 the table below contains descriptions relating to some types of warehouse. In the space provided, write the type of warehouse to which each description refers.
- | Description   | Type |
|---|------|
| a) Used to store exports and imports                            |      |
| b) Anybody can rent spaces in it for storing goods temporarily. |      |
| c) Operated for the owner's exclusion use.                      |      |
| d) Owned and operated by manufacturers and farmers.             |      |
10. 2004 In which four ways are consumers likely to suffer in a situation where there is no warehousing?

**14. INSURANCE**  
**PAST KCSE QUESTIONS – PAPER 1**

1. 1995 Describe the procedures that should be followed when taking an insurance policy. (10mks)
2. 1996 explain four ways in which the insurance industry promotes the growth of business enterprises. (5mks)
3. 1997 Explain four ways in which the insurance industry contributes to the development of Kenya's economy. (10mks)
4. 1998 Discuss various insurance policies under which an insurance company would not compensate the insured in the event of the loss. (10mks)
5. 1999 Discuss various insurance policies that the owner of a supermarket may find it useful for the business. (12mks)
6. 2000 Explain four benefits of the 'pooling of risks' to an insurance company. (8mks)
7. 2001 Explain the factors that may make it necessary for an insurance company re-ensure.
8. 2002 Explain the meaning of the following terms as used in insurance (10mks)
- Uberrimae fidei
  - Indemnity
  - Third party motor vehicle insurance
  - Contribution.
  - Subrogation
9. 2003 Discuss four circumstances under which an insurance contract may be terminated.

(8mks)

10. 2004 Explain five benefits that could be enjoyed by a person who decided to take out an endowment policy.  
(10mks)

## 15. PRODUCT PROMOTION

### PAST KCSE QUESTIONS – PAPER 1

1. 1995 the follow are types of advertising
- Product advertising
  - Competitive advertising
  - Information advertising
  - Institutional advertising

In the table below, match each type with its appropriate description.

(4mks)

#### Description

#### Type

- a) Create awareness about a product  
b) Promotes the name of the manufacturer  
c) Persuades a particular brand of a product  
d) Promotes a particular brand of a product
2. 1996 State four ways in which consumers benefits from advertising by business people.  
(4mks)
3. 1997 Give three reasons why manufacturer may offer after sales services to his customers.  
(3mks)
4. 1998 Outline four steps involved in personal selling process. (4mks)
5. 1999 State four circumstances under which a trader would advertise his products over the radio instead of the television.  
(4mks)
6. 2000 Identify four disadvantages of advertising through television in Kenya.  
(4mks)
7. 2000 List four disadvantages of advertising through television in Kenya.  
(4mks)
8. 2001 Highlight four limitations of after sales services as a method of promoting products.
9. 2002 Outline the advantages of after sales services as a method of sales promotion to a customer. (4mks)
10. 2003 Highlight three reasons why traders may engage in sales promotion.  
(3mks)
11. 2004 State four advantages of personal selling method of promoting sales.  
(4mks)

### PAST KCSE QUESTIONS – PAPER 2

1. 1995 Abdullah, a manufacturer, exhibited his goods in a local trade shows. However his sales did not increase significantly thereafter. Outline five reasons that may have led to lack of significant sales increase.  
(10mks)
2. 1996 Describe the procedures involved in personal selling methods of sales promotion.

- (10mks)
3. 1997 Outline five ways of attracting customers that traders may put into use.  
(10mks)
4. 1998 Explain five benefits that a trader would get by advertising his goods through the radio.  
(10mks)
5. 1999 Explain the reasons why the firms with popular products find it necessary to continually advertise the same products.  
(10mks)
6. 2000 A multinational company is planning to launch its products in the local Kenyan market. Highlight the factors that should be considered by the company when choosing the appropriate media through which to advertise the products.  
(10mks)
7. 2001 Explain the role of a sales department in a business firm  
(10mks)
8. 2001 What are the benefits accruing to a seller who uses personal selling methods to promote her products.  
(10mks)
9. 2004 Advertising in the newspaper is one way of promoting sales of goods. Highlight five limitations of advertising goods in newspapers.  
(10mks)

## 16. DEMAND AND SUPPLY

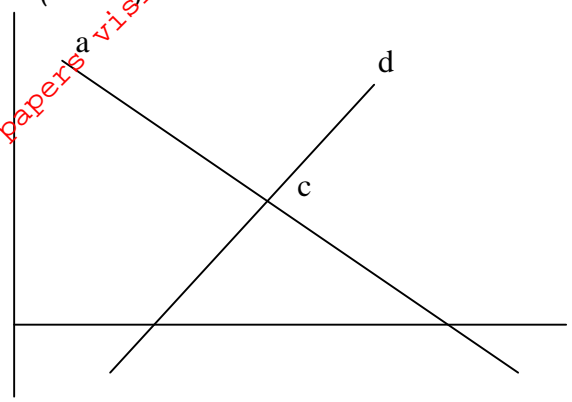
### PAST KCSE QUESTIONS PAPER 1

1. 1995 Indicate by writing a demand or supply whether each of the following factors influence demand or supply of a commodity.  
(5mks)
- Changes in the prices of inputs
  - Change in tastes and preferences.
  - Changes in technology
  - Changes in incomes
  - Changes on the price of other related products.
2. 1996 State the law relating to each of the following.
- Demand
  - Supply
  - Demand and supply
3. 1998 In each of the following cases, indicate whether the supply will increase, decrease or remain constant.
- If the demand for coffee rises, the supply of tea is likely to
  - If the prices of cars fall, the supply of petrol as likely to
  - if the demand for beef increases the supply of wool is likely to
4. 1999 State four factors that may cause an increase in the supply of a product.  
(4mks)
5. 2000 Outline four factors that may cause a decrease in the quantity demand for a product.  
(4mks)
6. 2001 Draw a demand curve based on the demand schedule below  
Price (Sh)                      Quantity demanded

5                      100  
 10                     50  
 20                     25  
 25                     5

(4mks)

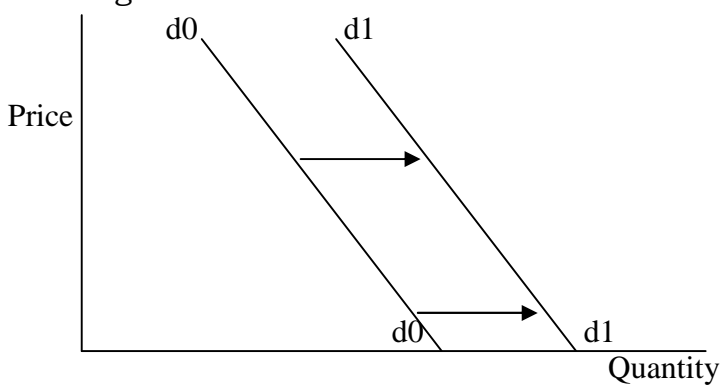
7. 2002 The following diagrams represents demand and supply of a product. (5mks)



- a) Labels the cover (a) and (b)
- b) State what is represented by point (c)
- c) On the diagram, indicate equilibrium price (PE) and equilibrium quantity (QF).

8. 2003 State four factors that may lead to an increase in market supply of a product. (4mks)

9. The diagram below shows a shift in demand curve from d0d0 to d1d1.



Identify four factors that have made the demand curve to shift from d0d0 to d1d1

11. 2003 The table below illustrates the demand and supply of commodity.

Price	Quantity demanded Kg per month	Quantity kg	Quantity kg per month
15.00	80		20
20.00	70		30
25.00	60		40
30.00	50		50
35.00	40		60
40.00	30		70

From the table above, state

- a) The nature of the demand for the commodity

- b) The nature of the supply of the commodity  
c) The equilibrium price  
d) The equilibrium quantity.

### **PAST KCSE QUESTION –PAPER 2**

1. 2003 outline four ways in which the price of goods and services can be determined in the market other than through the forces of demand and supply curve.

### **17. THEORY OF THE FIRM**

#### **PAST KCSE QUESTIONS PAPER 1**

1. 1995 State disadvantages of concentrating industries in one area within a country. (4mks)
2. 1996 Highlight four circumstances under which a firm would be located near the market for its product. (4 marks)
3. 1997 Outline four ways in which land influences the location of industries. (4 marks)
4. 1998 State four circumstances under which a firm would be located near the market for its products. (4 marks)
5. 1998 State four advantages of locating a firm near the source of raw materials. (4 marks)
6. 1998 Identify four problems that tend to limit the growth of small –scale retail business in rural Kenya. (4 marks)
7. 2000 Highlight four measures a government may take to attract firms to an area. (4 marks)
8. 2001 state four disadvantages of locating a business away from other related business. (4 marks)
9. 2002 state four disadvantages of delocalization of industries to a country. (4 marks)
10. 2003 State four factors which influence the location of business enterprises. (4 marks)
11. 2004. State four measures that local authority could take in order to attract investors to locate their industries within its boundaries. (4 marks)

### **PAST K. C. S. E QUESTIONS – PAPER 2**

1. 1997 Outline five benefits that country would get by encouraging businessmen to locate new industries in rural areas. (10 marks)
2. 1998 discuss the factors that have led to the survival of small scale retailers despite competition from supermarkets. (10 marks)
3. 1999 discuss the economic benefits to a community that may result from the concentration of industries in an area. (10 marks)

4. 2002 .Explain five circumstances that may influence a firm to locate its operations near the source of raw materials. (10 marks)
5. 2003 explain five measures that a government may take to encourage establishment of industries in rural areas. (10 marks)
6. 2004. Highlight five advantages of having a business enterprises located in an area. (10 marks)

**18. NET WORTH OF A BUSINESS**

**PAST KCSE QUESTIONS – PAPER 1**

1. 1998 The following table contains information relating to a business A, B, C, and D. Determine the figures represented by W, X and Y.

Business	Assets	Capital	Liabilities
A	620,000	W	230,000
B	X	400,000	120,000
C	800,000	500,000	Y

2. 1998 in the spaces provided, indicate with a (+) or (-) the effects of each one of the following transactions on the assets, Liabilities or capital (4 marks)

	Assets	Liabilities	Capital
a Bought furniture on credit			
b. Paid creditors by cash			
c. withdrew cash for personal use			
d. Converted a personal car for business use			

3. 1999 The following relate to business A, B and C. For each of the business determine the missing figures: M, N, and P

Business	Assets	Capital	Liabilities
A	30,000	m	12,000
B	n	16,000	13,000
C	60,000	48,000	p

4. 2000 For each of the following types of accounts, state in the spaces provided whether you debit or credit increase or decrease the account. (3 marks)

Type of account	To increase	To decrease
a Asset account		
b Liability account		
c. Capital		

5. 2003 in the table below, determine the missing fig. X, Y and Z for each of business Q, R and S. –

Business	Assets	Capital	Liabilities
Q	250,000	X	120,000
R	Y	1,500,000	Z
S	600,000	100,000	400,000

(3 marks)

6. 2004 The following information relates to business A, B, C and D.

Business	Assets	Liabilities	Capital
A	500,000	x	300,000



B	Y	800,000	1,200,000
C	300,000	120,000	z
D	700,000	t	500,000

Determine figure represented by X, Y, Z and T.  
(4 marks)

### 19. BUSINESS TRANSACTIONS

#### PAST K.C.S.E QUESTION ON THE TOPIC

- 2002 State the term that best fit each of the following description
  - Money brought into the business by owner\_\_\_\_\_
  - Goods bought for resale\_\_\_\_\_
  - Money borrowed by the owner of business. (4mks)
- 2003 For each of the following transactions, indicate with a tick in the spaces provided whether the following business transaction will increase, decrease or have no effect on the balance sheet total.

Transaction	Effects on the balance Sheet		
	Increase	Decrease	No effect
a) investing more cash in the business			
b) paying creditors in cash			
c) Buying a piece of furniture in cash			

- 2004 in the spaces provided, indicate with a (x) whether each of the following transactions will increase, decrease or have no effect in the balance sheet. (4 marks)

Transaction	Increase	Decrease	No effect
a. buying stock in cash			
b. Depositing extra cash into Business account			
c. Drawing cash for personal use			
d. Buying stock on credit			

### 20. THE LEDGER

#### PAST QUESTIONS – PAPER

- 1996 The following trial balance of Onyati was incorrectly prepared in 30<sup>th</sup> June 1995. Prepare the correct Trial Balance.
- 1997 prepare a trial balance from the following balances extracted from the books of San enterprises on 30<sup>th</sup> April, 1995

	Dr.	Cr.
Capital	99,600	30,520
Debtors		
Creditors	25,670	80,000
Motor vehicles		
Cash	2,500	
Stock	140,250	110,520

	Shs
Capital	947,000
Cash	74,000

Premises	870,000	
Debtors	36,520	
Creditors	45,300	
Stock	12,250	(4 marks)

3. 2001 The following account balances were obtained from the books of Kiboko Traders on 30<sup>th</sup> June 1999.

Motor vehicle	240,000
Current liabilities	440,000
Land + building	200,000
Current assets	420,000
Furniture	60,000
Capital	480,000

Prepare a trial balance for Kiboko traders as at 30<sup>th</sup> June 1999.

4. 2002 The following balances were extracted from the books of Dipa traders as at 31<sup>st</sup> December 2000.

Buildings	100,000
Debtors	54,000
Capital	136,000
Sales	85,000
Purchases	48,000
Stock Jan 2000	25, 500
Creditors	37, 500
General expenses	31, 800
Bank overdrafts	2,500

Prepare a trial balance as at 31 December 2000 (5 mks)

5. 2000 The following balances were obtained from the books of Rah Traders Shs.

Opening stock	50, 000
Sales	360,000
Gross profit	25% of sales
Closing stock	70,000

Calculate

- a) Cost of goods sold  
 b) Rate of stock turnover (5 marks)

6. 1996 Enter each of the following transactions relating to Jokin Traders in the relevant 'T' A/c

- i. Deposited cash in hand shs. 5,000 into bank  
 ii. Bought a motor vehicle on credit on for 250,000 from Raji Traders  
 iii. Paid salaries sh. 2, 400 by cheque (3 marks)

7. 1998 Balance the following ledger accounts. (5 marks)

Dr.	Cash Account	Cr.
Shs		Shs
<hr/>		

Balance b/d	45700	Salaries	4800
Sales	35000	purchases	2000
Dr.	Capital Account		Cr.
	Sh.	Shs	
		Balance	20700

Dr.	Salaries Account	Cr.
	Sh	sh
Cash	4800	

Dr	Capital Account	Cr.
	Shs	Shs
Balance	2000	
Cash	2000	

Dr.	Sales Account	Cr.
	Sh.	Sh.
	Balance b/d	45700
	Cash	35000

8. 2004 For each of the following transactions state the account to be debited and credited. (4 marks)

Transactions	A/c debited	A/c credited
--------------	-------------	--------------

- a) paid a creditor from private source
  - b) proprietorship brought in cash from private sources
  - c) Bought goods and paid by cheque
  - d) Proprietor withdrew cash for personal use
9. 2004 Record the following transactions in ledger accounts.
- a) Received Ksh. 20,000 cash in respect of rent paid
  - b) Purchased goods worth 30,000 on credit from crown traders.

## 21. THE CASH BOOK

### PAST KCSE QUESTIONS

1. 1995 State the meaning of the following terms used in a cash book
  - a) Contra entry
  - b) Folio column

2. 1996 The following is an extract of a cash book from Ramo traders

Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
1/1	Balc/d	2500	4500	2/1	stat		520



8. 2002 On 1 Match, 2001, Mingi traders had Ksh. 13,200 in cash and bank balances of Sh 56,000. The following transaction took place during the month.  
 2001 2 Cash sales sh. 12,000  
 12 paid a creditor sh. 8,200  
 27 received a cheque for sh. 4,500 from debtors  
 31 paid rent 7,500 in cash  
 Record the above information in a two column cash book and balance it off. (4 mks)

9. 2003 Outline the uses of two column cash book (4 mks)

10. 2004 The following is an extract of a cash book.

Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
2/5	Bal	W	X	6/5	Wages		60000
12/5	Sales	20000		18/5	Purchases		30000
20/5		50000		22/5	Rent	6000	150000
28/5	Sales		120000	30/5	Bal c/d	Y	

Items represented by W, X, Y, Z

(4 mks)

### CHAIN OF DISTRIBUTION

#### PAST QUESTIONS – PAPER 1

- 1995 Outline four benefits that customers get from small – scale retailers. (4 mks)
- 1996 Highlight four benefits that accrue to a customer who buys directly from a manufacturer (4 mks)
- 1997 Name four channels the a manufacturer would use to distribute his goods to the Customer (4 mks)
- 1998 highlight four factors that should be considered in choosing a method of distributing agricultural produce (4 mks)
- 2000 give disadvantages of long chain of distribution of goods to a buyer (4 mks)
- 2001 State four benefits to a large consumer who buys directly from the producer. (4 mks)
- 2002 Outline four benefits to a large consumer who buys directly from the producer. (4 mks)
- 2003 highlight four circumstances under which a manufacturer may prefer to sell goods directly to the consumers (4 mks)

#### PAST KCSE QUESTIONS – PAPER 2

- 1996 Describe five circumstances under which a producer would sell his goods to his consumers (10 mks)
- 1997 Zango manufacturers who have been selling their products directly as retailers

- have decided to distribute the products through wholesalers. Explain five benefits that Zango manufacturers may get from this new arrangements. (10 mks)
3. 2000 Describe five channels that can be used to distribute locally manufactured goods (10 mks)
4. 1999 explain four factors that may be considered in determining the appropriate channel for distributing goods (10 mks)
5. 2001 discuss circumstances under which a wholesaler becomes essential in the chain of distribution (10 mks)
6. 2001 explain the channel of distribution for imported goods (10 mks)
7. 2004 Kabu manufacturers have decided to distribute their goods through wholesalers. Discuss five benefits that would account to Kabu manufacturers (10 mks)

**27. FINANCIAL STATEMENTS**  
**PAST KCSE QUESTIONS – PAPER 1**

1. (a) 1995 the following is an extract of balances from the books of Otwa traders as at 31<sup>st</sup> October 1994
- |                   |       |
|-------------------|-------|
| Accrued rent      | 4,000 |
| Cash in hand      | 7,500 |
| Trade creditors   | 3,000 |
| Stock             | 4,000 |
| Bank overdraft    | 6,000 |
| Prepaid insurance | 1,400 |
| Trade debtors     | 2,600 |
- Prepare a statement showing working capital (5 mks)
- b) The capital account of Nyota traders showed a balance of Kshs 50,000 as at 1<sup>st</sup> July 1994. For the year 30<sup>th</sup> June 1995, the following information was available.
- i) Proprietor brought in a personal car worth 80,000 for the business use
- ii) Net profit amounted Kshs 64, 000. The proprietor withdrew 32,000 from the business for personal use. Prepare the capital account at 30<sup>th</sup> June 1995
2. 1996 the following account balances were extracted from the books of Sawato traders on 30<sup>th</sup> September 1995.
- |               |         |
|---------------|---------|
| Purchases     | 190,550 |
| Opening stock | 35,500  |
| Closing stock | 25,000  |
| Sales         | 256,050 |
| Sales return  | 4,800   |
- Calculate

- i. Cost of goods sold ( 5 mks)  
 ii) Percentage of gross profit and net profit

3. 1996 the following account balances were extracted from the books of Kitu traders on 30<sup>th</sup>

November 1995	
Machinery	250,000
Debtor	62,000
Creditors	46,000
Stock	12,680
Cash in hand	1,500
Cash at bank	15,000

Determine the capital as at 30<sup>th</sup> November 1995

4. 1996 The following balance sheet relates to Jambo Traders  
 Jambo traders balance sheet as at 30<sup>th</sup> June 1995

Calculate Jambo Traders current ratio (5 mks)

LIABILITIES		ASSETS	
Capital	127,000	Machines	90,000
Bank		Stock	20,000
Overdrafts	12,000	Debtors	32,000
Creditors	25,000	Cash in hand	22,000
	164,000		164,000

5. 1997 During the month of July 1995 Kungu made sales worth Kshs.60,000. His margin on sales was 20%, calculate;

- a) The cost of goods sold  
 b) The gross profit

6. 1997 for each of the following transactions indicate with a tick the effect on capital. (4 mks)

Transaction	Increase	Decrease	No Effects
(i) Withdrew cash for personal use			
(ii) Used personal savings to buy s			
(iii) Paid a creditor by cheque			
(iv) Bought office furniture in cash			

7. 1997 The following balances were extracted from the books of Waso traders on 30<sup>th</sup> October 1995.

Cash	20,520
Bank	160,230
Premises	800,000
Debtors	40,000
Creditors	62,000
2 year loan	40,000
Stock	2,500

Prepare a balance sheet (5 marks)

8. 1998 The following information was extracted from the books of Kwaso traders on 31<sup>st</sup> August 1997.

Gross profit	130,800
Carriage of sales	4,700
Commission received	8,000
General expenses	18,200

Insurance 4,000

Prepare a profit and loss A/C

(5 marks)

9. 1998 The balance sheet of Moba Enterprises for the year ended 30<sup>th</sup> June 1996 is given below. Moba enterprises sheet as at 30<sup>th</sup> June 1996. Calculate the return on

a. Capital invested

	Sh	sh	sh
Capital	1,200,000		
N.p	<u>240,000</u>	1,440,000	
		F.A	1,400,000
			74,000
C.A			
C.L			
Creditors	<u>3,400</u>		
	<u>1,474,000</u>		<u>1,474,000</u>

(5 marks)

10. 1999 The following account balances were extracted from the books of Kiboko enterprises on 30<sup>th</sup> June 1997.

Opening stock	65,000
Sales	280,000
Purchases	190,000
Purchases returns	10,000
Sales returns	4,200

Closing stock was Kshs. 70,000 as at 30<sup>th</sup> June 1997. Prepare the trading a/c for period

ended 30<sup>th</sup> June 1997.

(4 marks)

11. 1999 The following information was extracted from the books of Peshau Traders as at April

1998

Cost of goods sold	65,000
General expenses	280,000
Capital for the period was 20%	10,000

Calculate rate of net profit to capital

(5

marks)

12. 2000 State four uses of balance sheet for business organizations.

(4

marks)

13. 2000 The following information relates to Mali traders for the year ended 31<sup>st</sup> Dec 1998.



Capital 1.198	250,000
Additional investment	68,000
Drawing	92,000
Profit	180,000

Calculate the capital of Mali traders as at 31<sup>st</sup> Dec 1998

(4

marks)

14. 2000 The following information was obtained from the books of Kina Traders on 30<sup>th</sup> June 1998

Opening stock	8,000
Purchases bank	53,000
Sales	62,900
Return outwards	2,700
Closing stock	12,700

Prepare Kina Traders balance a/c for the year ended 30<sup>th</sup> June 1998 (5 marks)

15. 2000 The following balances were obtained from the books of Rah traders

Opening stock	50,000
Sales	360,000
Gross profit	25% of sales

Calculate

a) Cost of goods

b) Rate of stock turnover

(5 marks)

16. 2001 Cumvi Traders had a capital of sh 180,000 as at 31.12.1998

Additional information

a) during the year the owner converted her private car worth 90,000 for business use

b) Goods worth sh. 50,000 were taken from the business for her own use

c) Net profit for the year was sh 140,000

Calculate capital as at 31 Dec. 1999

(3 marks)

17. 2002 The following figures obtained from the records of Buka Enterprises for the year ended 30<sup>th</sup> June 2000

Sales	500,000
Cost of goods sold	280,000

Calculate the gross margin

(4 marks)

18. 2002 the following transactions relates to Tajira Traders for the month of January 2001

Jan 1 started business with Kshs. 20,000 in cash

Deposited 15,000 from cash till into a business Bank account

Bought goods on credit from Wema traders for 6,000

Bought furniture by cheque sh 3,000

Prepare a balance sheet as at 31<sup>st</sup> January 2001

19. 2002 The following balances were extracted from the books of Vuno Traders for the year ended 31<sup>st</sup> March 2001

Gross profit	186,200
Carriage outwards	13,500
Rent received	34,300

Office expenses 19,600  
Salaries 57,000

Prepare a profit and loss for the year ended 31<sup>st</sup> March 2001 (5 marks)

20. 2003 Ngoma traders had the following transactions  
Feb. 2 bought goods costing sh 400,000 from Maiyo traders sh. 650,000 by cheque as a part of payment for goods received. Received the above transaction in the account below and balance it off.

(5 marks)

Dr		Maiyo traders A/C		Cr	
Date	Details	Kshs	Date	Details	Kshs

21. 2003 the following information was extracted from the books of Mutua for the period ended 30<sup>th</sup> June 2001.

Opening stock 2,000  
Purchases 8,500  
Closing stock. 2,500  
Sales 10,000

Required:

- a) The trading Account for the period ended 30<sup>th</sup> June 2001
- b) Calculation of the mark up (5 marks)

22. 2003. Below is a balance sheet of Lela Traders as at 31<sup>st</sup> Dec 2001  
Lela traders.

Balance sheet as at 31<sup>st</sup> Dec 2001

Capital 1.1 2001	78,000	F.A	87,800
Add net profit	42,000	C.A	55,200
	120,000	C.L	23,000
	143,000		143,000

Calculate

- a) Correct ratio
- b) Return on capital

**PAST KCSE QUESTIONS-PAPER 2**

1. 1997 The following Trial balance was prepared from the books of Paka Traders as at 31<sup>st</sup> December 1995.

Trial balance December 31<sup>st</sup> 1995

	Dr. Kshs	Cr. Kshs
Sales		900,000
Purchases	600,000	
Returns inwards	80,000	
Returns outwards		20,000
Carriage in		40,000
Carriage out	3,000	
Stock (Jan)	100,000	
Rent	60,000	
Creditors	170,000	
Debtors	120,000	

Interest expenses	18,000	
General expenses	7,000	
Capital	<u>178,000</u>	
	1,268,000	
Creditors		240,000
	<u>6,226,000</u>	<u>6,226,000</u>

Additional information

Stocks as at 31<sup>st</sup> December was 100,000

- i. prepare Trading, profit and Loss account for the period ended 31 December 1999
- ii. calculate return on capital, current ratio and debtor's ratio (10 marks)

5. 2002 The following is a balance sheet of Bambu traders as at 31<sup>st</sup> December 2000  
Bambu Traders

Balance sheet as at 31<sup>st</sup> December 2000

- a) Sales during the year amounted to Kshs 2,000,000
- b) Stock on 1 January 2000 was Kshs. 100,000
- c) Gross profit margin was 20%

Calculate

- i) Current ratio
- ii) Gross profit mark up
- iii) Rate of stock turnover

6. 2003 the following trial balance was extracted from the books of Maringo traders on 31<sup>st</sup> December 2001

Maringo traders Trial Balance as at 31<sup>st</sup> December 2001

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 (1 yr)		50,000
General expenses	54,000	
Commission received		20,000
Wages and salaries	132,000	
	<u>802,000</u>	<u>802,000</u>

Prepare

- a) Profit and loss Account for the year ended 31<sup>st</sup> December 2001
- b) Balance Sheet as at 31<sup>st</sup> December 2001 (12 mks)

7. 2004 the following information was extracted from the books of Sarai Traders for the year ended 30 April 2003

Sales 480,000  
Opening stock (1.5.02) 80,000  
Gross profit is calculated at 25%

- i) Prepare a trading account for the period ended 30 April 2003

ii) Calculate the rate of stock turn over (10 mks)  
 8. The following balances were extracted from the Tango traders as at 31<sup>st</sup> December 2004

Motor vehicle	80,000
Plant and machinery	70,000
Loan from Bank	60,000
Stock	25,000
Debtors	30,000
Creditors	15,000
Bank	20,000

Prepare a balance sheet for Tango Traders as at 1<sup>st</sup> December 2004. (5

mks)  
 9. 2005 the following information refers to tea traders for the year ended 31/12/04

Sales	800,000
Expenses	10,000
Commission received	15,000
Purchases	700,000
Opening stock	250,000
Margin	20%

Prepare trading, profit & loss a/c for the year ended 31/12/04

10. 2005 (1) The following balances were extracted from books of Motop Traders for the year

ended 31/12/2004

Rent	48,000
Lighting	7,200
Water	9,220
Salaries	75,000
Commission received	8,500
Discount allowed	4,600
Discount received	8,500
Gross profit	320,000
General Expenses	98,000
Stock	5,250
Motor Vehicle	2,300,000
Furniture & equipment	650,000
Debtors	270,000
Creditors	396,400
Bank	200,000
Cash	50,000
Capital	3,000,000

Prepare:

Profit and loss a/c for the year ended 31/12/2004

Balance sheet as at 31/12/2003

mks)

(4 ½

**30. PUBLIC FINANCE**  
**KCSE PAST QUESTIONS- PAPER 2**

1. 1995 Highlight five reasons why budgeting is important to a business organization ( 10 mks)
2. 2000 Discuss the reasons why a business organization may prepare a budget (10 mks)
3. Discuss the various classes of taxes ( 10 mks)
4. Outline the disadvantages of direct taxes ( 10 mks)
5. Explain any 5 principles of public expenditures ( 10 mks)
6. Discuss the importance of a budget as a tool of control ( 10 mks)
7. Highlight any five features that a government should consider when deciding on a good tax system (10 mks)

**33. MONEY AND BANKING**

**PAST KCSE QUESTIONS PAPER 1**

- A. 1995 state how a credit transfer is used as a means of transferring money through the commercial banks (3 mks)
- B. 1995 Highlight four advantages of using a telegraphic money order as a means of remitting money through the post office. (4 mks)
- C. 1996 state four limitations of barter trade (4 mks)
- D. 1997 in the spaces provide below indicate with a tick whether each of the following statements is true or false about commercial banks (5 marks)

	True	False
- Accept deposits from the members of the public		
- Provides safe custody for the valuables		
- Issues currency for the use in the country		
- Controls money supply in the country		
- Lends more to the public		

- E. 1998 list four characteristics of money (4 mks)
- F. 1999 state four methods that central bank may use to control credit (4 mks)
- G. 2000 list four functions of development (4 mks)
- H. 2001 highlight four reasons why loans advanced by commercial bank in Kenya may not appeal to many people (4 mks)
- I. 2002 Give four disadvantages of barter trade (4 mks)
- J. 2003 State four banking services that the central bank of Kenya provides to the government (4 mks)
- K. 2004 Wambua intends to import a car from Dubai which costs Kshs. 20, 0000 Dirams. If 4 Dirams = 1 Us Dollar and Kshs 70 = 1 Dollar, calculate the amount in Kenya shillings that Wambua will pay for the car.
- L. 2004 highlight 4 functions of the Central Bank of Kenya
- M. 2005 given below is the first stage in the historical development of money list the next four stages in their order of occurrence (4 mks)

## PAST KCSE QUESTIONS – PAER 2

1. 1995 Explain five in which banks contribute to the development of Kenya (10 mks)
2. 1996 outline five reasons why banks currently account is popular with traders (10 mks)
3. 1997 Explain service offered to commercial banks by the central bank of Kenya (10 mks)
4. 1998 in what ways of the functions of commercial bank differ with those of non-bank financial institutions (10 mks)
5. 1998 explain five ways in which central bank of Kenya may control the supply of money in the country (10 mks)
6. 1999 Describe methods which may be used by commercial banks to advance money to Customers.
7. 2000 A businessman wishes to obtain a loan from a commercial bank. Highlight the conditions that he should satisfy before the bank can grant him the loan (10 mks)
8. 2002 explain five services that the central bank of Kenya offers to commercial banks (10 mks)
9. 2002 Explain four disadvantages of using a bank overdraft as a source of finances (8 mks)
10. Describe four ways in which a non- bank financial institutions differ from the commercial banks (8 mks)
11. 2003 Discuss five reasons why business people prefer to operate bank current accounts
12. 2004 outline the benefits that bank customer gets from operating a current account (10 mks)
13. 2005 Explain the 5 services offered by a commercial banks to their customers (10 mks)

## 34. INTERNATIONAL TRADE

### PAST KCSE QUESTIONS PAPER 1

1. 1995 outline four benefits that Kenya derives by being a member of preferential Trade Area PTA (4 mks)
2. 1996 Give four reasons why it may be necessary for a country to control imports (4 mks)
3. 1997 state four benefits that a country may derive from participating in international trade (4 mks)
4. 1998 State four methods of controlling imports (4 mks)

5. 1999 state four measures that Kenya may take to promote her exports (4 mks)
6. 2000 State four factors that may limit the success of trade agreements among African countries. (4 mks)

7. 2000 state in the spaces provided below, state the business document to which each of the following statements relates  
(4 mks)

Statement	Documen
A. Informs the buyer when goods were dispatched and by what means	
B. A request by seller for payment in advance	
C. Used to correct under undercharge in an invoice	
D. Shows details of the transactions between seller and buyer during a given period	

8. 2001 Highlights four problems a country by participating in international trade  
(4 mks)

9. 2001 outline four circumstances under which a proforma invoice may be used  
(4 mks)

10. Explain the following terms as used in international trade

- LOCO
- F.O.R
- F.A.S
- Bill of Landing

11. 2003 state three functions of departments of international trade in the ministry of commerce and industry  
(3 mks)

12. 2003 Country X has recorded a surplus balance of payments from its foreign trade. Outline four ways in which the country can spend these surplus earnings  
(4 mks)

13. 2005 List four benefits that a country derive from engaging in international trade  
(4 mks)

### **KCSE QUESTIONS – PAPER 2**

1. 1995 Explain five ways in which a country benefits by participating in international trade  
(10 mks)

2. 1996 outline five transactions which are recorded in balance of payment account of a country  
(10 mks)

3. 1997 Explain five measures that a country may take to promote her exports  
(10 mks)

4. 1998 Explain the meaning and significance in each of the following terms as used of the following terms as used in foreign trade. Terms of trade, balance of payment, exchange rate, balance of trade and common market.  
(10 mks)

5. 1999 Explain the significance of each of the following documents as used international trade. Bill of lading, proforma invoice, indent, letter of credit

6. 2000 country X has obtained a surplus in its balance of payment. Explain the factors that could have contributed to this surplus  
(10 mks)



- For More Free KCSE Past Papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)
7. 2001 Explain six problems being faced by the Kenya External Trade Authority (KETA) (12 mks)
  8. 2001 Explain the factors that may lead to deteriorating terms of trade for a country (10 mks)
  9. 2002 outline five functions of Kenya external Trade Authority (KETA) (10 mks)
  10. 2002 highlight five benefit that Kenya gets from trading with other countries (10 mks)
  11. 2003 the domestic currency of a certain country has been depreciating over time. Highlight five disadvantages of the depreciation of the country (10 mks)
  12. 2000 Highlight five ways in which a bill of lading is useful to an importer of goods

**565/1**  
**BUSINESS STUDIES**  
**PAPER 1**  
**OCT. / NOV. 2006**  
**2 HOURS**

1. State four advantages of operating a partnership form of business. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

2. Outline four risks against which a shopkeeper may insure. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

3. Give four ways in which a government may participate in the operations of a state corporation. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

4. Outline four considerations that a seller should take into account before giving credit to a new customer. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

5. The table below shows some of the occupations in production. Indicate the level of production associated with each of the occupations. (4mks)

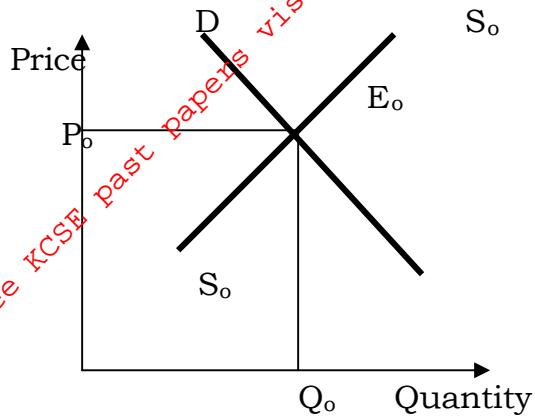
Occupation	Level of production
a) Mining	_____
b) Oil refining	_____
c) Insurance	_____
d) Teaching	_____

6. What are the advantages of personal selling as a method of sales promotion? (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

7. The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price ( $P_0$ ) and quantity ( $Q_0$ ). On

the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity. (4mks)



8. Give four assumptions that are associated with perfect competitor. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
9. List four types of unemployment in an economy and give the cause for each. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
10. What benefits may accrue to manufacturing firm that uses modern technology? (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
11. Highlight four benefits of using electronic filing system. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
12. State four social responsibilities that a manufacturing firm should have on the community. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....

13. What factors may encourage entrepreneurship in Kenya (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

14. Highlight four characteristics of economic resources. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

15. Give four reasons why one would prefer a letter to a telephone to send a message. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

16. State the effect of each of the following transactions on the balance sheet by writing increase, or decrease or no effect in each case.

<b>Transaction</b>	<b>Effect</b>
a) Bought machinery on credit	_____
b) Withdrew cash from the business for person use	_____
c) Purchased stock in cash	_____ d)
Paid outstanding loan by cheque.	_____

17. The following balances were extracted from the books of Chebi Traders for the month ended 31 March 2005.

	Sh.
Sales	420,000
Purchases	240,000
Motor Van	300,000
Equipment	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare trial balance of Chebi Traders for the month ended 31 March 2005. (4mks)

18. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 Dec 2005.

	Shs.
Sales	500,000
Purchases	320,000
Opening stock(1.1.2005)	80,000
Closing 31.12.2005	40,000
Debtors	140,000
Creditors	90,000

Calculate

- a) margin
- b) Current ratio
- c) Rate of stock turnover (4mks)

19. Outline four benefits of direct taxation to the government. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

20. State four factors that may cause inflation in an economy. (4mks).

- a) .....
- b) .....
- c) .....
- d) .....

21. Outline four ways that the World Bank may use to assist developing countries to improve their economy. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

22. State four problems that a planner may encounter in development planning. (4mks)

- a) .....
- b) .....
- c).....
- d).....

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

**565/2**  
**BUSINESS STUDIES**  
**Paper 2**  
**Oct./ Nov. 2006**  
**2 ½ hours**

1. a) Explain five factors that may influence the level of national income of a country . (10 marks)
- b) Over the years southern Star has grown into a large business enterprise. Explain five diseconomies of scale which it may experience. (10 marks)
2. a) Explain four ways that a government can use to finance a budget deficit. ( 8 marks)
- (b) The following trial balance was extracted from the books of Fula Traders on 31<sup>st</sup> December 2005.

Fula Traders Trial Balance as at 31.12. 2005		
	Dr. Sh.	Cr. Sh.
Sales		600,000
General Expenses	60,000	
Rent expense	10,000	
Commission Received		20,000
Motor Vehicle	600,000	
Furniture	240,000	
Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchases	400,000	
Sales Returns	20,000	
Capital		700,000
	<u>1, 500,000</u>	<u>1,500,000</u>

Additional information

- Stock on 31 December 2005 was valued at sh. 60,000
- Depreciation to be provided for as follows:
  - Motor Vehicle 20% p.a on Cost
  - Furniture 10% p.a on cost

Prepare:

- i) Trading, profit and Loss Account for the year ended 31 December 2005.  
 ii) Balance Sheet as at 31 December 2005. (12 marks)

- 3 a) Explain five benefits that may accrue to a community that is involved in trading activities. (10 marks)  
 b) Outline five benefits that a Savings and Credit Co-operative society (SACCO) provides to its members. (10 marks)

- 4 a) Musi Enterprises are considering to market their imported products direct to consumers.

Outline five reasons that may be influencing them to make this decision. (10 marks)

- b) Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)

5. a) Outline five factors that may limit the use of containers as a method of transporting goods in a developing country. (10 marks)

- b) Using a diagram, explain how a monopolist firm determines its output. (10 marks)

6. a) Explain four functions of money. (8 marks)  
 b) Cheru Traders does not keep a complete set of books of accounts. The following information was extracted from her books of accounts.

	1.1.05	31.12.05
	Sh.	Sh.
Stock	920,000	1,200,000
Debtors	400,000	540,000
Creditors	800,000	950,000

During the year, cash received from debtors was sh. 1,400,000 while cash paid to creditors amounted to sh. 2,000,000. Cash sales were for Sh. 250,000 while cash purchases amounted to sh. 320,000. Carriage inwards was for sh. 46,000.

Other relevant information.

- Returns inwards were Sh. 42,000.
- Cheru had taken goods amounting to sh. 50,000 for personal use.

- i) Determine total sales.  
 ii) Determine total purchases.  
 iii) Prepare Trading Account for the period ended 31 December 2005. (12 marks)

**565/1**  
**BUSINESS STUDIES**  
**PAPER 1**  
**OCT. / .2007**  
**2 HOURS**

1. State four types of complaints that a consumer organization may receive from consumers. (4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

2. The following terms relate to communication: vertical, horizontal, formal and informal.

Write the appropriate term of communication associated with each of the following statements.

	Statement	Terms
(a)	A manager gives instructions to a superior in her division	
(b)	Rumours going around that the most disciplined workers will be rewarded.	
(c)	A manager issues a general circular to employees	
(d)	Peers discussing discipline in their school	

3. Outline three features of a Re – insurance company

- a) .....
- .....
- b) .....
- .....
- c) .....
- .....

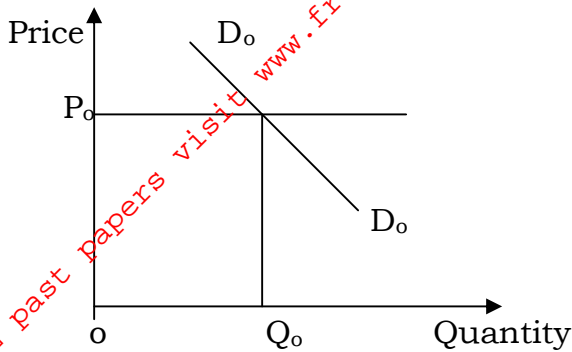
4. A firm wishes to introduce a new product into the market. Outline four factors that should be considered in choosing an appropriate medium for promotion.

- a) .....
- .....
- b) .....
- .....
- c) .....
- .....

For More Free KCSE Past Papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)



5. The diagram below shows the current demand for petrol.



- a) What is the effect of a fall in the price of cars on demand for petrol? (2mks)  
 .....  
 .....
- b) Draw a new demand curve on the diagram above to show the effect of a fall in price of cars. (2mks)

6. State four ways in which production activities may negatively impact on community health.

- a) .....
- b) .....
- c) .....
- d) .....

7. Outline four negative effects of an ageing population to an economy. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

8. The following are some of the accounts available to customers in the Kenyan banking industry: Current account, savings account and Fixed deposit account. Give the account that corresponds to each of the descriptions given below.

(4mks)

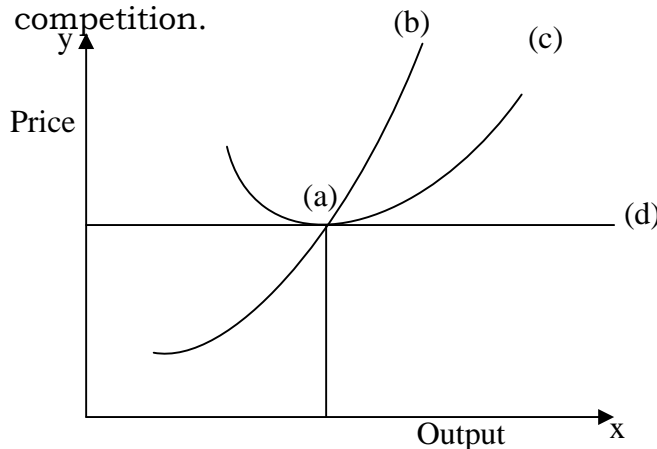
	<b>Description</b>	<b>Type of Account</b>
(a)	Account holders require to deposit a specified initial amount as well as maintain a minimum balance	
(b)	Account holder may deposit and withdraw money whenever they want without maintaining a minimum balance	
(c)	Banks pay interest on the deposit at	

	comparatively higher rates.	
(d)	Money may be deposited at any time and interest is earned if a specified balance is maintained	

9. The following are some of the documents used in home trade: Cash sale receipt, catalogue, invoice and statement of account. Match each document with the appropriate description provided in the table below.

	Description	Document
(a)	Shows details of goods offered for sale	
(b)	Give quantity, unit price and total amount to be paid.	
(c)	Shows transactions since the date of last statement.	
(d)	Shows description of goods bought, price and total amount paid.	

10. The following diagram represents equilibrium position of a firm under perfect competition.



Label the parts represented by the letters a,b,c, and d

- a) .....
- b) .....
- c) .....
- d) .....

11. State four circumstances under which air transport may be used to ferry goods (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

12. On 1 January 2006, Mzalendo Traders sh.180000 in cash and sh.170000 at bank.

During the month, the following transactions took place:  
2006

- January 10 paid ABM Traders sh.25, 000 by cheque less sh.1000 Cash discount.
- 16 Sold goods for sh. 14,000 cash, less 5% discount
- 31 Banked all the cash except sh.5200

Enter the above transactions in cash book extract given below and balance it off.(5mks)

<b>DR</b>		<b>CASH BOOK EXTRACT</b>					<b>CR</b>		
Date	particu	Discou	cash	Bank	Date	Particu	Discou	Cash	Bank
		allowe					receiv		
		Sh.	Sh.	Sh.			Sh.	Sh.	

13. Outline four benefits to a business that uses its own warehouse. (4mks)

- a) .....
- b) .....
- c) .....
- d) .....

14. Identify the book of original entry used in recording each of the following transactions of Soya Traders.

(4mks)

	<b>Transaction</b>	<b>Book of original ent</b>
(a)	Sold goods on credit to Wanjau for sh.2000	
(b)	Bought goods on credit from Saipei Traders for sh. 1000.	
(c)	A chieng returned goods worth sh.6000	
(d)	Soya returned goods worth sh.11000 to Nzome Traders.	

15. The following information related to Kerubo Traders for the year ended 31 December, 2006.

	Sh.
Opening stock	24,000
Carriage on sales	12,000

Purchases 370,000  
 Sales 442,500  
 Closing stock 40,000  
 Other expenses 10% on Gross profit.

Prepare Trading profit and Loss Account for the year ended 31 December, 2006.  
 (5mks)

.....  
 .....  
 .....  
 .....  
 .....  
 .....  
 .....

16. The average consumer price for a 500g container of cooking fat for various years is shown in the table below.

year	Consumer price Kshs.	Consumer price Index
2000	47	100
2001	53	-
2002	62	-
2003	74	-

Calculate the consumer price index using year 2000 as the base year  
 .(3mks)

17. State four ways that may be used to control the amount of money in circulation by the central Bank of Kenya.

a) .....  
 .....  
 b) .....  
 .....  
 c) .....  
 .....  
 d) .....  
 .....

18. Outline four differences between a good and a service. (4mks)

a) .....  
 b) .....  
 c) .....  
 d) .....

19. Highlight four factors that could influence mobility of capital as a factor of production.

(4mks)

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

For More Free KCSE Past Papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

- a) .....
- b) .....
- c) .....
- d) .....
- 20. State four advantages of an open office layout to an organization. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
- 21. Highlight four ways in which the running of public corporations may be improved. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
- 22. State four reasons why countries may decide to trade with each other. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
- 23. Outline four benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4mks)
  - a) .....
  - b) .....
  - c) .....
  - d) .....
- 24. State four factors that could hasten the economic development of a country. (4mks)
  - a) .....
  - b) .....
- 25. Outline four elements that may comprise the external environment of a business. (4mks)
  - a) .....
  - b) .....

**565/2**  
**Business studies**  
**Paper 2**  
**Octo. /Nov. 2007**  
**2 ½ hours.**

- 1. a) Explain six reasons why a new business may fail (12mks)
- b) Explain four advantages of transaction business through e-commerce. (8mks)

2. a) Explain six sources of government revenue for development expenditure. (12mks)  
 b) Karani does not keep a complete set of accounting records. During the year ended 30 June 2006, the following balances were extracted from the books of accounts.

	Sh.
Stock	140,000
Land and buildings	500,000
Cash in hand	2500,000
Cash at bank	120,000
Credit	240,000
Long term loan	1400.000
Plant and machinery	600,000

Additional information:

- Karani drew sh. 140,000 from the business for private use.
  - Opening capital was sh.2000 000 as at 1 July 2005
  - Additional capital during the year was sh.120,000.
- i) Prepare statement of affairs for the year ended 30 June 2006  
 ii) Determine profit or loss for the year ended 30 June 2006
3. a) explain five ways in which the Agriculture Finance Corporation(AFC)  
 b) Explain five factors that could affect the quantities of cabbages supplied in a market. (10mks)
- 4 a) Explain five strategies that a small – scale firm could adopt to expand so as to enjoy economies of scale. (10mks)  
 b) Explain five benefits that could accrue to a customer who buys goods from a departmental store. (10mks)
5. a) Discuss five reasons why less developed countries are reluctant in implementing free trade agreement. (10mks)  
 b) Draw a diagram to show how equilibrium price and output are determined under-monopoly. (10mks)
6. a) Explain five features that you would consider in establishing a warehouse for imported goods. (10mks)  
 b) The following trial balance was prepared from the books of Mugambi Traders for the year ended 31 December 2005

Mugambi Traders  
 Trial Balance

**Dr**

**Cr**

	Kshs	Kshs
Land and buildings	500,000	
Capital		940,000
Plant & Machinery	200,000	
Motor Vehicles	300,000	
10 year bank loan		200,000
3 year ICDC loan		100,000
Stock	100,000	
Debtors	60,000	
Creditors		60,000
Accrued expenses		20,000
Cash at Bank	100,000	
Cash in hand	20,000	
Drawings	40,000	
	<u>1,320,000</u>	<u>1320,000</u>

Prepare

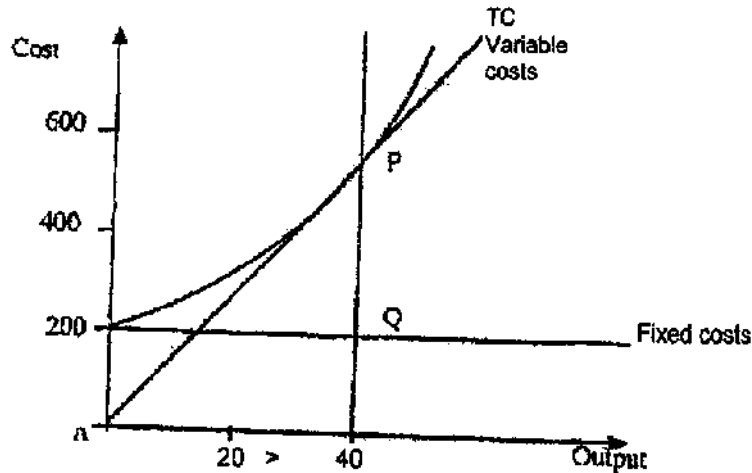
- (i) A balance sheet for the year ended 31 December 2005
- (ii) Determine
  - Working capital
  - Capital employed
  - Borrowed capital

( 10 marks)

# BUSINESS STUDIES Paper 1

## Oct /Nov. 2008

1. State four advantages of division of labour.
2. Outline four features of a Private Limited company.
3. State four ways in which a warehouse is of importance to a manufacturer. (4 marks)
4. The diagram below shows total cost curve of a firm in the short-run.



Calculate the average variable cost of the firm.

5. Outline four benefits that may accrue to a business person who uses e-mail to communicate. (4 marks)
6. Outline the meaning of the Mowing terms as used in accounting: (2 marks)
  - (a) Contra entry (2 marks)
  - (b) Cash discount (2 marks)
7. For each of the following transactions in the table below indicate in the spaces provided, the source document from which the transaction could be recorded (4 marks)



No	Transaction	Source document
(a)	Sales of goods on credit	
(b)	Correction of an under charge	
(c)	Goods returned	
(d)	Purchases on credit	

8. State the type of ledger account to which each of the Mowing accounts relates: (4 marks)

(a)	Account	Type of Ledger account
(b)	Commission Income	
(c)	Pre-paid Insurance	
(d)	Supplier	
	Motor Vehicle	

9. The following balances were extracted from (the books of Solai Traders as at 31<sup>st</sup> May 2006:

Sh.

220,000

425,000

85,000

98,200

Current assets Capital Net profit Creditors Accrued expenses

**Determine:**

(a) Working capital

(b) Return on, capital

(2 marks)

10. On 31 December 2005, Kiwa had occurred had occurred expenses of sh.24,000. On 31<sup>st</sup> December, 2006, the accrued expenses were Sh. 30,000. In 2006 expenses paid for amounted to Sh.85,000,

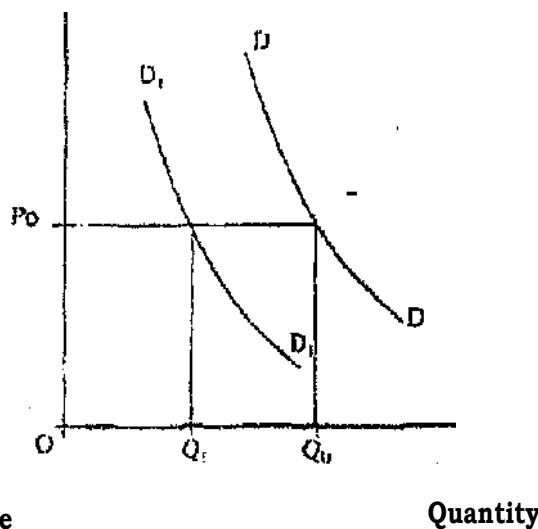
Determine the expenses for the year 2006. (4 marks)

11. Outline the circumstances under which each of the following characteristics of human wants may be observed:

(a) Complementary wants

(b) Wants become habitual (2 marks)

12. Outline four factors that an entrepreneur should consider before setting up a manufacturing business
13. Outline four requirements for opening a current account with a commercial bank. (4 marks)
14. Outline four factors that a trader would consider in choosing a mode of transport. (4 marks)
15. State four reasons why ethical practice is necessary in Product Promotion. (4 marks)
16. The economy of a country X has grown at the rate of 10% per annum for the last two years. However, the standard of living among the citizens has not changed. Outline four reasons that may have contributed to this trend. (4 marks)
17. The figure below shows a decrease in demand for a commodity from DD to D<sub>1</sub>D<sub>1</sub>



State four possible causes that have led to this Situation.

(4 marks)

18. The following information relates to Ole Traders as at 30th June

Machinery	Shs.
Furniture	200,00
Premises	00
Debtors	100,00
Cash in hand	400,00
Bank overdraft	00
Creditors	160,00
	0
	10,00

2007:

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

Calculate capital for Ole Traders as at 30 June 2007: (4 marks)

19. Outline the purpose of a trial balance as used in book keeping. (4 marks)

20. State two characteristics of each of the following balance sheet elements:  
(4marks)

- (a) Assets
- (b) Liabilities

21. Outline four measures that a government may put in place to reduce high inflation in a country.

(4marks)

22. Elephant Enterprises acquired a building valued at sh 1 000 000 on 1 January 2007. The building was insured with two insurance companies. Zebra and Simba for sh 600 000 and sh 400 000 respectively. In May 2007, fire damaged the building, causing Elephant Enterprises to suffer a loss of 20% of the building value. Determine contribution made by Simba and Zebra to cover the loss.  
(4 marks)

23. Outline four benefits that accrue to a business person who uses the latest technology in record keeping. (4 marks)

24. Visitors to the offices of Triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight four measures that the secretaries can take to improve the office etiquette. (4 marks)

- (a)
- (b)
- (c)
- (d)

25. Outline four reasons why the government may use regulatory measures to protect

consumers against exploitation.

(4 marks)

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

## Paper 2 2008

- 1.
- (a) Explain five features that differentiate a Public Limited Company from a partnership form of business. (10 marks)
- (b) With the aid of a diagram, explain the behavior of average cost curve in the short run for a firm with fixed production capacity. (10 marks)
- 2.
- (a) Explain five challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10 marks)
- (b) On 1 September 2006, Igonji had Sh55 000 in hand and Sh 250000 at bank. During the month, the following transactions took place:
- September 2 Cash sales banked Sh 35 260*
- 3. Bought ribbons in cash Sh 4 500*
- 8 Paid Wangita, a creditor Sh 94 000 by cheque in full settlement of his account after deducting 6% cash discount*
- 12. Received a cheque for Sh 58 800 from Wetu after allowing her a cash discount of Sh 1200*
- 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 Pay cheque less 10% cash discount*
- 30 Deposited all the cash into bank except Sh 13 700*
- Prepare a three column cash book and balance it off, (10 marks)
3. (a) Explain five ways in which effective management practices may contribute to the success of a business, (10 marks)
- (b) Explain five reasons why an effective filing system is important in an office. (10 marks)
4. (a) Explain five circumstances that would influence a producer to use wholesalers in distributing farm produce. (10 marks)

(b) Memon Traders does not keep a complete set of accounting records. The following information relates to the year ended 31 December 2006.

(i) Extract of cash summary was:

Cash receipts	
Cash sales	20,200
Commission received	36,400
Cash payments	
Purchases	260,000
General expenses	50,000
Insurance	14,800

(ii) Extract of assets and liabilities:

	<b>1.1.06</b>	<b>31.12.06</b>
	<b>Sh.</b>	<b>Sh.</b>
Stock	65,000	92,500
Insurance paid in advance	16,200	4,000
Commission receivable	8,400	10,200
Unpaid General expenses	48,000	70,000

Additional information

Included in credit sales are drawings of stock valued at Sh 25 000.

For the year ended 31 December 2006, determine the following:

- (i) Total sales
- (ii) Total purchases
- (iii) Commission receivable
- (iv) Insurance expense
- (v) General expenses (10 marks)

5. (a) Describe **four** measures that the Government may put in place to reduce the amount of money circulation (8 marks)

(b) Explain six circumstances under which a country may restrict international trade. (12 marks)

6. (a) Explain four circumstances in which a trader may offer after sales service to the buyer. (8 marks)

(b) The following balances were extracted from books of Simba Traders for the year ended 31 December 2006.

<b>Debtors</b>	Shs	130,200
Motor vehicles		750,000
Creditors		260,000
Furniture		160,500
Drawings		60,800
Salaries		322,600
Rent		14,800
Bank loan		200,000
Discount received		14,500
Gross profit		210,000
Stock		45,600

Additional information

- (i) Motor vehicle is depreciated by Sh 187 500 while furniture is to be depreciated by Sh16 050 per year.
- (ii) Interest on loan is charged at 18% per year. This interest was still owing on 31 December 2006.
- (iii) Rent unpaid on 31 December 2006 was Sh 2400 ' Prepare

- (a) Profit and loss account for the year ended 31 December 2006
- (b) Balance sheet as at 31 December 2006.            12 marks



# BUSINESS STUDIES

## 2009 PAPER 1

1. State factors that may affect the geographical mobility of labour ( 4 mks)
2. Outline four ways in which commercial attaches may promote trade between their country and other countries ( 4 mks)
3. Amboseli Enterprises has been spending heavy on promotion for its products though its sales have consistently declined. Outline four measures that the company take to reverse the trend
4. Write the type of demand represented by each of the following statements
  - (i) Demand for a commodity causes an increase in demand for another Commodity

(ii) Demand for one commodity calls for demand of another commodity

5. The following balances were extracted from the books of Saku traders on 31 March 2008

Fixed assets	300,000
Current assets	123, 700
Creditors	84, 500
5 year loan	125,000

Determine the net worth of the business as at 31<sup>st</sup> March 2008 ( 4 mks)

6. Indicate the type of journal in which each of the following transaction would be recorded

	Transaction	Type of journal
(i)	Goods previously sold on credit were returned	
(ii)	Goods bought on credit	
(iii)	Goods sold for cash	
(iv)	Motor vehicle sold on credit	

( 4 mks)

7. A trader has decided to take a loan to expand a manufacturing business. Give two reasons why it is beneficial to borrow from a non- bank financial institution ( 4 mks)
8. State four items that usually appear the credit side of the current account of a country ( 4 mks)
9. Outline four benefits that may accrue to a business from a country's political stability ( 4 mks)
10. A lucrative manufacturing firm been constantly releasing toxic wastes into the neighborhood. Outline four measures you can take to stop the firm from such malpractice ( 4 mks)
11. Outline four factors that should be considered in the choice of a means of transporting perishable goods ( 4 mks)
12. Outline four circumstances which face to face communication may be ineffective ( 4 mks)
13. Highlight four benefits that would accrue to a firm located near other existing firms ( 4 mks)
14. Country X has been experiencing an upward trend in the price of petrol as a result of a rise in inflation. State four steps that can be taken to minimize expenditure on this product. ( 4 mks)
15. Outline four reasons why an increase in per capital income may not necessarily lead to a rise in the standard of living of the citizens ( 4 mks)
16. The bookkeeper of trade Traders extracted the following information from the accounting records

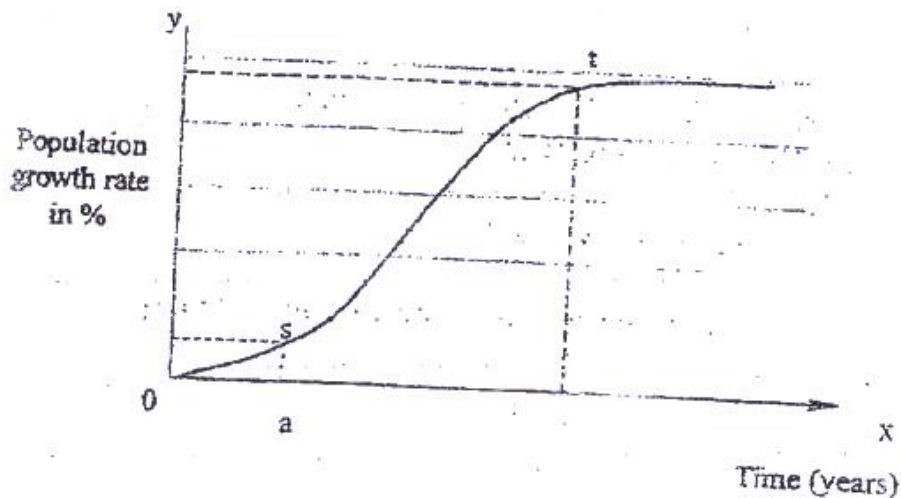
	1.1 2007	31.12.2007
	Kshs	Kshs
Suppliers	465, 000	640,000
Discount received -		12,000
Purchases returns	-	25,000

During the year ended 31.12.2007, suppliers were paid Kshs 1,500, 000 while cash purchases amounted to Kshs 800,000  
Determine the purchases for the year (5 mks)

17. Outline four circumstances that would make an office manager to replace an existing machine with modern one (4 mks)

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

19. The graph below the rate of population growth of a given country



Outline four factors that may have contribute to the trend between s and t (4 mks)

20. Kazim maintains a petty cashbook on a weekly interest of Kshs 13,000 on 1<sup>st</sup> April 2007 the cash balance was Kshs 2,570  
During the week of April, the following transactions took place

2007

April 2	Received reimbursement from the main cashier
3	Paid Kshs 3,070 for cleaning materials
4	Paid Kshs 2,000 bus fare
6	Bought stationery worth Kshs 2,200

Prepare a petty cashbook to record the above transactions using cleaning stationery and bus fare columns ( 5 mks)

21. Highlight four circumstances under which business enterprises may choose to merge ( 4 mks)

22. The following information relates to Maji Mazuri Traders as 31. 12. 2008

Fixed assets	400,000
Stock	120,000
Current liabilities	60,000
Net profit for the current	100,000

Calculate:

- (i) Rate of return on capital employed
- (ii) Current ratio ( 4 mks)

23. Highlight four factors that must be considered before incurring public expenditure ( 4 mks)

24. Outline four benefits that accrue to the government as a result of privatization of public enterprises ( 4 mks)

(a)

(b)

(c)

(d)

25. KAMAT owned a motor vehicle valued at Kshs 1,000,000. He comprehensively insured the car at Kshs 800,000. The motor vehicle was involved and declared a write off. Calculate the amount KAMAT should get from the insurer.

( 4 mks)

**BUSINESS STUDIES PAPER 2 2009**

1. (a) Explain five features of sole proprietorship form of business ( 10 mks)  
(b) Explain five measures that the government may take to improve the volume of exports ( 10 mks)
2. (a) Explain five demerits that may be associated with water transport ( 10 mks)  
(b) The trial balance of Zakayo Traders as at June 2008 is given below

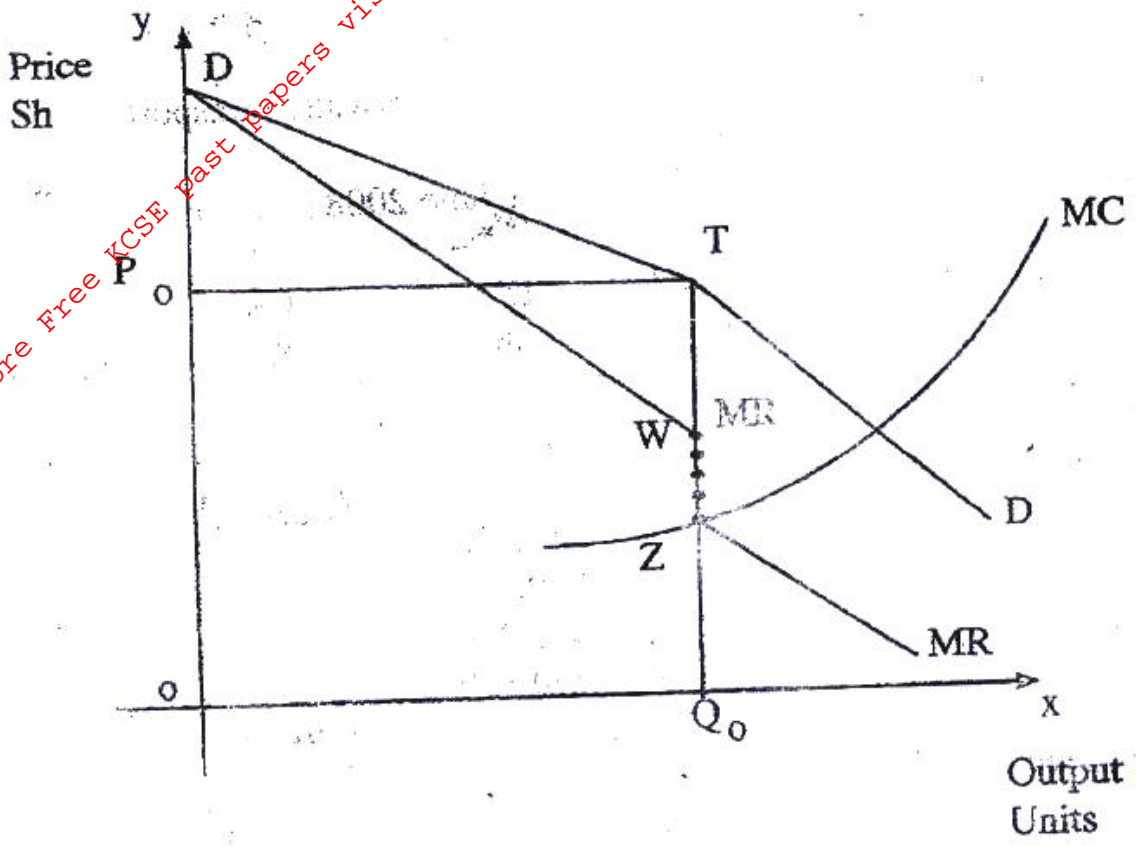
	DR	Cr
	Kshs	Kshs
Stock	76, 500	
Creditors		450,400
Debtors	350,000	
Bank	260,400	
Fixed assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due		27, 200
	1., 777, 600	1, 777, 600

During the month, the following transactions took place  
2008

- June 5      Paid a creditor Kshs 228,000 by cheque in full settlement of a debt after deducting 5% cash discount.
- 15            Withdrew Kshs 100,000 from bank for office use
- 28            Received Kshs 160, 000 cash from a debtor after allowing cash discount of Kshs 40, 000

Record the above transactions in the relevant ledger accounts and balance then off. ( 10 mks)

3. (a) The diagram below shows an oligopolist kinked demand curve DD and current price and quantity at P and Q respectively.



- (i) Name the curve represented by the gap WZ
- (ii) State Why the curve WZ is vertical to price axis
- (iii) Advice when the oligopolist can raise and lower the price of the commodity ( 10 mks)

(b) Explain five ways in which the government of Kenya may reduce the level of unemployment ( 10 mks)

4. (a) Using a diagram, explain the circular flow of income in a two sector economy

(b) Analyze the following document issued by Sheikh Traders

Sheikh Traders 235Y		P.O Box  Nairobi	
4262		No.  12	
October 2008 Debit Kamau Limited P.O Box Y 125 MOLO			
Terms: 10 per cent one month on furniture only			
Quantity	Rate Kshs	Kshs	Kshs
60	Dinning tables mvuli	240,000	
4	4,000	8,000	
50	Beds	50,000	
	2,000	298,000	
	Coffee Tables	29,800	268,200
4	1,000	10,000	9,000
		1,000	
	Less Trade discount 10%		7,500
	Floor carpets	Total	284,700
	2,500		
	Less Trade discount 10%		
	Carriage		
	E & O.E		

Required:

- (i) Name the document above

- (ii) Calculate the amount paid for the goods, if the debtor paid on 28<sup>th</sup> October 2008
- (iii) Determine the net profit of the business if transaction (ii) above was Kshs 120,400 and the debtor paid for the goods on 15<sup>th</sup> November 2008  
( 10 mks)
5. (a) Explain four services that the central Bank of Kenya may offer as a Banker to commercial banks ( 8 mks)
- (b) Malamu Traders had the following balances s at 31 December 2008

	Kshs
Building	540,000
Bank Loan	472,500
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicles	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

- (a) Profit and loss account for the year ended 31 December 2008
- (b) Balance sheets as at 31 December 2008 ( 12 mks)
6. (a) The following table represents the price and quantity of a commodity

Month	Price	Quantity
January	80	2,000
February	40	5,000



- (i) Plot the above information on a graph ( 5 mks)  
(ii) Calculate the price elasticity of demand ( 5 mks)
- (b) Lunga, a sole trader, does not keep a complete set of accounting records. Information extracted from the records are as follows

	1 January 2007	31 December 2007
	Kshs	Kshs
Stock	75,000	136,400
Pre-paid salaries	-	8,000
Creditors	142,500	158,400
Debtors	120,000	335,000
Furniture & Equipment	820,000	754,400
18% loan from bank	200,000	

Cash summary for the year was as follows

Cash Summary			
	Kshs		Kshs
Balance b/d	460,800	Payment to creditors	660,500
Bad debts	16,000	Loan (31/12/2007)	50,000
Receipts from debtors	750,000	Salaries	48,000
		Purchases	135,400
		Interest on loan	30,000
		Balance c/d	302,900
	1,226,800		1,226,800

Additional information:

- (i) Interest charged on debtors overdue accounts amounted to Kshs 2,000  
(ii) Bad debts written off amounted to Kshs 4,200

Prepare trading, profit and loss account for the year ended 31 December 2007 (10 mks)

**K.C.S.E YEAR 2010**  
**PAPER 1**

1. In the spaces provided below, indicate the type of utility created by each of the following commercial activities:  
(4 marks)

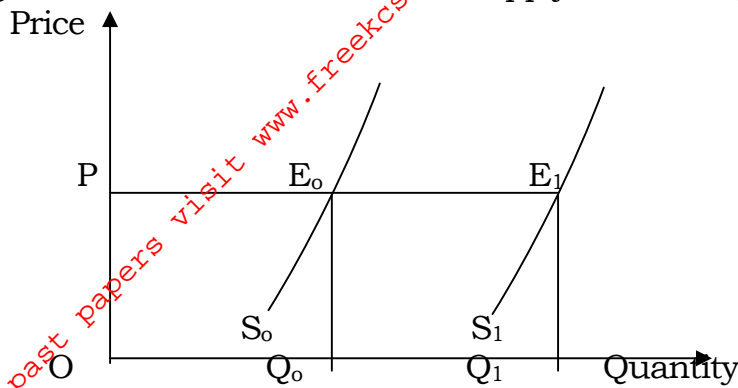
<b>Commercial activity</b>	<b>Type of utility</b>
(i) Selling goods to customers;	.....
(ii) Transporting goods;	.....
(iii) Storekeeping;	.....
(iv) Making a chair.	.....

(5 marks)

2. Give **five** reasons why the government may find it necessary to start a parastatal.  
3. Name the types of warehouses associated with each of the statements given below: (4 marks)

<b>Statement</b>	<b>Type of warehouse</b>
(i) Goods can be stored before payment of customs duty.	
(ii) Individuals can hire storage facilities.	
(iii) Goods are stored from several manufacturers.	
(iv) Specialised goods are stored	

4. The figure below shows a shift in the supply curve of a given commodity.



Outline **four** factors that may have caused the shift in the supply curve from  $S_0$  to  $S_1$ .

5. The balances given below relate to Enotika Traders for the year e. 31<sup>ST</sup> December 2008.

	<b>Shs</b>
Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Prepare a balance sheet as at 31st December 2008.

(5 marks)

6. Give two reasons why a three column cashbook is used both as a journal and a ledger. (4 marks)

7. The management of national debt, credit control and lender of last resort are some of the functions of the Central Bank. Match these functions with the statements given below. (3 marks)

	Statement	Function
i.	Repayment of Government securities as they mature.	
ii.	Receipt of treasury bills to secure loans.	
iii.	Directing commercial banks on the preferred sectors to lend money.	

8. State the meaning of the following terms of sale as used in international trade: (4 marks)

(i) LOCO.....

(ii) C.I.R  
.....

(iii) F.A.S.  
.....

(iii) F.O.Q  
The manager of Tasa Limited constantly walks around various departments. State **four** merits of this style of management.

(4 marks)

9. State **four** reasons why the government should create an enabling environment for investors. (4 marks)

10. Outline four differences between insurance and assurance. (4 marks)

11. State **four** factors that may influence the level of national income. (4 marks)

12. Outline the difference between cash and credit transactions. (2 marks)

13. The terms capital employed, working capital, owner's equity and borrowed capital are types of capital found in a business. Match each of the statements given below with the relevant type of capital. (3 marks)

**Statement**

**Type of capital**

(i) Resources invested into the business by the owner.

(ii) Excess of current assets over current liabilities.

(iii) Amount invested into the business by outsiders.

14. Outline **four** ways in which government expenditure may stabilize the economy of a country. (4 marks)

15. State **four** problems associated with development planning.

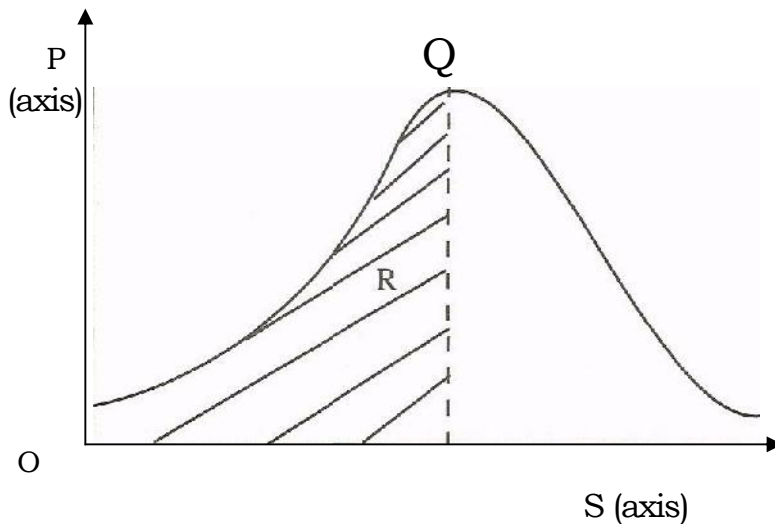
(4 marks)

16. State **four** services that a **wholesaler** may offer to a manufacturer.

(4 marks)

17. State **four** reasons why flower exporters would transport their produce by air rather than by sea. (4 marks)

18. The diagram below represents the relationship between population and income per capita.



(4 marks)

State what is represented by P and S axes, and letters R and Q.

20. The following information was extracted from the books of Helen Traders;

	<b>1/1/2008</b>	<b>31/12/2008</b>
	Shs	Shs
(i) Salaries pre-paid	24,800	52,400
(ii) Salaries paid	-	48,200

Prepare a salary expense account using the above information.

(5 marks)

21 State **four** circumstances under which one may decide to start a personal business. (4 marks)

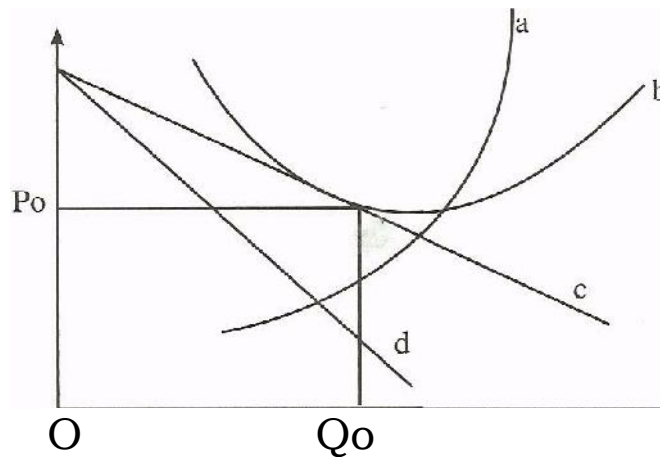
22 Highlight **four** ways in which a business idea can be implemented. (4 marks)

23 Outline **five** measures that a manager can take to improve the working environment in the office. (5 marks)

24. Highlight **four** challenges that a person may encounter when using a cellphone (mobile phone) (4 marks)

25. The diagram below represents the long-run equilibrium of a firm under monopolistic competition.

Price



Quantity

Name the curves represented by the letters a, b, c, and d

(4 marks)

## BUSINESS STUDIES 2010

### PAPER 2

1. (a) Explain **five** features that differentiate a Public Limited Company from a partnership form of business.  
(10 marks)
- (b) With the aid of a diagram, explain the behaviour of average cost curve in the short run for a firm with fixed production capacity.  
(10 marks)
2. (a) Explain **five** challenges that may be experienced by a country whose population is made up of a large proportion of young people.  
(10 marks)
- (b) On 1 September 2006. Igonji had Sh55 000 in hand and Sh 250 000 at bank. During the month, the following transactions took place:

September	2	Cash sales banked Sh 35 260
	3	Bought ribbons in cash Sh 4 500
	8	Paid Wangila, a creditor Sh 94 000 by cheque in full settlement of his account after deducting 6% cash discount
	12	Received a cheque for Sh 58 800 from Wetu after allowing her a cash discount of Sh 1200
	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 bank except Sh 13 700

Prepare a three column cash book and balance it off.

(10 marks)

3. (a) Explain **five** ways in which effective management practices may contribute to the success of a business. (10 marks)
- (b) Explain **five** reasons why an effective filing system is important in an office. (10 marks)
4. (a) Explain **five** circumstances that would influence a producer to use wholesalers in distributing farm produce. (10 marks)
- (b) Memon Traders does not keep a complete set of accounting records. The following information relates to the year ended 31 December 2006.

- (i) Extract of cash summary- was:

**Cash receipts**

Cash sales 420,200

Commission received 36,400

**Cash payments**

Purchases 260,000

General expenses 50,000

Insurance 14,800

- (ii) Extract of assets and liabilities:

	1.1.06	31.12.06
	Sh.	Sh.
Stock	65,000	92,500
Insurance paid in advance	16,200	4,000
Commission receivable	8,400	10,200
Unpaid General expenses	48,000	70,000

Additional information

Included in credit sales are drawings of stock valued at Sh 25 000.

For the year ended 31 December 2006, determine the following:

- (i) Total sales  
(ii) Total purchases  
(iii) Commission receivable  
(iv) Insurance expense  
(v) General expenses

(10 marks)



5 (a) Describe **four** measures that the Government may put **in** place to reduce the amount of money in circulation.  
(8 marks)

(b) Explain **six** circumstances under which a country may restrict international trade. (2 marks)

6 (a) Explain **four** circumstances in which a trader may offer after sales service to the buyer.  
(8 marks)

(b) The following balances were extracted from books of Simba Traders for the year ended 31 December 2006.

	Shs
Debtors	30,200
Motor vehicles	750,000
Creditors	260,000
Furniture	160,500
Drawings	60,800
Salaries	322,600
Rent	14,800
Bank loan	200,000
Discount received	14,500
Gross profit	210,000
Stock	45,600

Additional information

(i) Motor vehicle is depreciated by Sh187 500 while furniture is to be depreciated by Sh16 050 per year.

(ii) Interest on loan is charged at 18% per year. This interest was still owing on 31 December 2006.

(iii) Rent unpaid on 31 December 2006 was Sh 2400

Prepare

(a) Profit and loss account for the year ended 31 December 2006

(b) Balance sheet as at 31 December 2006.

(12 marks)

**BUSINESS PAPER 1**

**2011**

1 Identify the types of wholesalers described in the statements given below:  
(4 marks)

- (a) A wholesaler who trades in maize grain only.
- (b) A wholesaler who supplies goods to most of the traders in Kitui, Mbooni and Machakos districts in the Eastern part of Kenya.
- (c) A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas.
- (d) A wholesaler who trades in a wide variety of human medicine.

2 Outline **four** factors that should be considered before buying office equipment.

(4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

3 Outline **four** malpractices by traders against which consumers may need protection by the government. (4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

4 State **three** features of an insurable interest. (3 marks)

- (a) .....
- (b) .....
- (c) .....

10. Indicate the reward associated with each of the factors of production in the table below. (4 marks)

	<b>Factor of Production</b>	<b>Reward</b>
a	Land	
b	Labour	
c	Capital	
d	Entrepreneurship	

11 . Outline **four** circumstances under which a co-operative society may be dissolved. (4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

12 Highlight **four** features of a bonded warehouse. (4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

13 Outline **four** factors that may be considered when measuring the size of a firm.

(4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

14. The following transactions were extracted from the books of Sarah Traders for the month of March 2006.  
 March 10: Purchased goods on credit worth Ksh 200,000 from Salim Traders  
 March 25: Sold goods on credit worth Ksh 420,000 to Shah Traders  
 Record the above transactions in the ledger accounts below: (4 marks)

(a) Salim Traders Account

--	--

(c) Shah Traders Account

--	--

(b) Purchases Account

--	--

(d) Sales Account

--	--

15. On 2<sup>nd</sup> November 2006, Oromo received an invoice for Ksh 12,000. Terms of payment were trade discount 5% and cash discount 10%, if payment is made within 30 days. Determine the amount paid if payment was made on 28<sup>th</sup> November 2006. (4 marks)

16. The following balances were extracted from the books of Nafula Traders as at 31<sup>st</sup> December 2005.

	Ksh
Current Liabilities	150,000
Net profit	50,000
Total assets	500,000
2 years Bank loan	100,000

Calculate the rate of return on capital. (4 marks)

17 The information given below was extracted from the books of Amina Traders on 31st December 2006.

	<b>Ksh</b>
Purchases	260,0
00	
Opening	stock
0	75,00
Carriage on purchases	
12,500	
Closing	stock
0	27,50
Goods were sold at a mark-up of 25%.	

Using the information given above, prepare Amina Traders' Trading Account. (4 marks)

18 State **four** benefits that a farmer may get by transporting produce to the market by road.

(4 marks)

- (a) .....
- (b) .....
- (c) .....

(d) .....

19. The table given below represents the supply schedule of sukuma wiki (kales) for eight weeks in the months of January and February 2009.

WEEK	1	2	3	4	5	6	7	8
QUANTITY (METRIC TONNES)	505	485	430	375	340	290	215	195

(4 marks)

Outline **four** causes of the trend in the table.

- (a) .....
- (b) .....
- (c) .....
- (d) .....

20 Outline **four** ways in which households contribute to national income of a country.

(4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

21 Outline **four** circumstances in which a trader may use oral communication.

(4 marks)

- (a) .....
- (b) .....

- (c) .....
- (d) .....

22 Outline **four** reasons why a firm may remain small. (4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

23 On 1st January 2007, Muthoni Traders Cash Book showed a credit balance of Ksh 150,000 at the bank and a debit balance of Ksh 25,250 in hand. During the month, the following transactions took place:

- January 5: Made cash sales for Ksh 21,500
- January 16: Received a cheque for Ksh 360,000 from a debtor.
- January 28: Paid a creditor Ksh.100,000; partly by a cheque of Ksh 80,000 and the balance in cash.

Prepare a Two-column Cash Book for the month. (5 marks)

**MUTHONI TRADERS CASH BOOK**

**DR**

**CR**

Date	Details	Cash (Kshs)	Bank (Kshs)	Date	Details	Cash (Kshs)	Bank (Kshs)



For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)


24 State four benefits that a trader may get by advertising products in a newspaper.

(4 marks)

- (a) .....
- (b) .....
- (c) .....
- (d) .....

25 The cost of consumer goods and services for a representative basket of an average family is given below.

Year	2006	2007
Prices	Ksh 1200	Ksh 1600

Determine the increase in Consumer **Price** Index using 2006 as the base year. (4 marks)

For More Free KSE past papers visit [www.freeksepastpapers.com](http://www.freeksepastpapers.com)



## BUSINESS PAPER 2

2011

1. (a) Explain the following types of inflation:

- (i) demand-pull inflation
  - (ii) cost-push inflation
  - (iii) imported inflation
  - (iv) structural inflation.
- (8 marks)

(b) Explain **six** factors that may hinder the development of a country. (12 marks)

(a) Explain **five** circumstances under which containerization may be used to transport goods. (10 marks)

(b) (i) Explain the procedure for making an insurance claim. (5 marks)

(ii) A farmer's house valued at Ksh. 1,200,000 was insured against fire for Ksh. 900,000 under the "with average clause". Fire occurred and damaged the house causing a loss of Ksh. 500,000. Determine the value of compensation due to the farmer. (5 marks)

(a) Discuss **five** factors that may be considered when choosing a method for promoting a product. (10 marks)

(b) Describe **five** features of economic resources. (10 marks)

(a) Explain **five** benefits that may accrue to an organization that adopts an open office plan.

(10 marks)

---

(b) Discuss **five** circumstances under which a partnership may be dissolved. (10 marks)

(a) Amboseli Roses is a horticultural company producing flowers. Explain **six** factors that may influence the choice of a channel for distributing its products. (12 marks)

(a) Give **four** reasons for maintaining books of original entry. (8 marks)

(a) Discuss **five** causes of unfavourable balance of payment for most developing countries. (10 marks)

For More Free KCSE Past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)



- (b) The following balances were extracted from the books of Rehema Traders on 1st January, 2007.

	<b>Kshs.</b>
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st December, 2007:

- (i) Sold furniture worth Ksh. 60,000 for which Ksh. 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh. 100,000 for which cash of Ksh. 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh. 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

Required:

Draw Rehema Trader's balance sheet as at 31st December, 2007 showing the items in their relevant classes. (10 marks)



# K.C.S.E 2012 QUESTIONS

## BUSINESS STUDIES PAPER 1

1. Outline **four** circumstances under which cash with order may be used. (4 marks)
2. State **four** benefits that a farmer may derive from being a member of a Producer Co-operative Society. (4 marks)
3. Highlight **three** benefits of globalization to a business enterprise. (3 marks)
4. Highlight **four** ways in which consumers may protect themselves against exploitation by traders. (4 marks)
5. Outline **one** circumstance under which each of the following telecommunication services may be used: (3 marks)
- (i) Paging
  - (ii) Facsimile (fax)
  - (iii) Radio call
6. The following information was extracted from the books of Marigi Traders on 30<sup>th</sup> June 2009.

Item	Shs.
Purchases	720,000
Opening stock	165,000
Closing stock	?
Sales	980,600
Margin	20%

Prepare the Trading Account of Marigi Traders for the year ended 30<sup>th</sup> June 2009. (5 marks)

7. Outline **four** tools of monetary policy that a government may use to reduce excess money in circulation. (4 marks)
8. Outline **one** circumstance under which each of the following types of inflation may occur: (4 marks)
- (i) Creeping inflation

(ii) Hyperinflation

- 9 State **four** forms of economic integration that may exist between countries. (4 marks)
- 10 Highlight **four** problems of development planning that a country may experience. (4 marks)
- 11 Nyaboke operates a shop in a farming area. State **four** ways in which the farming community can benefit from the business activity. (4 marks)
- 12 Outline **four** features of indirect production. (4 marks)
- 13 State **four** factors that may lead to the success of a business. (4 marks)
- 14 State **four** ways in which a good filing system may facilitate the operations in an office. (4 marks)
- 15 Highlight **four** benefits that a country gets by encouraging trade among her citizens (4 marks)
- 16 Outline **four** challenges that may be encountered when measuring national income using the output approach. (4 marks)
- 17 Highlight **four** measures that a government may take to reduce the mortality rate in a country. (4 marks)
- 18 The following balances were extracted from the books of Highlife General Stores on 31<sup>st</sup> December 2008:

Item	Shs.
Land and buildings	650,000
Stock	470,000
Bank overdraft	80,000
Debtors	350,000
10 year Bank Loan	500,000
Creditors	220,000
Cash	50,000
Motor Van	150,000
Capital	?

Prepare the balance sheet of Highlife General Stores as at 31<sup>st</sup> December, 2008. (5 marks)

(5)

19. Given the statements in the table below, indicate the type of entry to be made in the relevant ledger accounts: (4 marks)

Statement	Type of Entry
(i) An increase in revenue	
(ii) A decrease in an asset	
(iii) An increase in an expense	
(iv) A decrease in liability	

20 In the spaces provided in the table below, name the document Jambi Ltd. would issue under the circumstances described: (4 marks)

(4)

Circumstance	Document to issue
(i) Jambi Ltd sold goods worth Sh. 54,000 on credit to Jamilar Traders.	
(ii) Osuri Enterprises which had bought goods worth Sh 27,000 was erroneously charged for only Shs 25,000.	
(iii) Guru Traders paid Shs 33,900 by cheque to Jambi Ltd. for goods which had been supplied.	
(iv) Goods sold to Jamilar Traders had been	



overpriced by Shs 4,000.

- 21** Outline **four** conditions under which a warehouse may be considered to be operating efficiently. (4 marks)
- 22** Highlight **four** advantages of promoting sales through the internet. (4 marks)
- 23** Zawadi operates a hardware business in her home town. Outline **four** methods she may use to determine prices for her goods other than the forces of demand and supply. (4 marks)
- 24** Highlight **four** factors that a firm may consider when deciding on the goods to produce. (4 marks)
- 25.** State four features of a perfectly

## K.C.S.E 2012 QUESTIONS

### BUSINESS STUDIES PAPER 2

1. a) Explain **five** benefits of division of labour to an organization. (10 marks)

b) Explain **five** ways in which a computer may be used in an office. (10 marks)

2 a) The table below shows the demand and supply schedules for product A in a week.

<b>Price (sh)</b>	<b>Quantity demanded</b>	<b>Quantity supplied ('000' tones)</b>	<b>Quantity supplied ('000' tones)</b>
35	5	80	
30	10	65	
25	20	55	
20	25	40	
15	30	35	
10	40	20	
5	55	5	

---

Using the information given in the table above, draw the demand and supply curves showing the market equilibrium for the product. (10 marks)

b) Explain **five** merits of direct taxes to the government. (10 marks)

3. a) Explain **five** disadvantages that a country would suffer if she restricted trade with other countries. (10 marks)

b) Discuss **five** factors that may promote entrepreneurship in Kenya. (10 marks)

4. a) Explain **five** characteristics of property insurance. (10 marks)

b) Explain five elements of effective communication. (10 marks)

5. a) The following Trial Balance was prepared by Laketi Traders on 31<sup>st</sup> December, 2009.

Particulars	Dr (shs)	Cr(shs)
Premises	850,000	
Debtors	650,500	
Creditors		820,000
Motor vehicle	800,000	
Equipment	550,500	
Gross profit		1,960,200
Furniture	350,000	
Stock	75,000	
Bank	200,000	
Cash in hand	150,000	
General expenses	117,800	
Discount received		66,100
Commission allowed	12,400	
Insurance	7,500	
Lighting	4,600	
Salaries	78,000	
Capital		1,000,000
	<b><u>3.846,300</u></b>	<b><u>3.846.300</u></b>

Using the information given above, prepare:

(i) A profit and loss account; (5 marks)

(ii) A balance sheet. (7 marks)

b) Describe **four** characteristics of services. (8 marks)

6. a) A school leaver plans to start a retail business. Explain **five** types of small scale retail shops the person may start. (10 marks)

b) Explain **five** circumstances in which a firm may acquire monopoly power. (10 marks)

For More Free KCSE past papers visit [www.freekcsepastpapers.com](http://www.freekcsepastpapers.com)

