ELDORET EAST INTER-SCHOOLS TESTS - 2013
Kenya Certificate of Secondary Education (K.C.S.E)

BUSINESS STUDIES
FORM FOUR

INSTRUCTIONS

* This paper consists of six questions
* Answer Any FIVE questions on the answer booklets provided
* All questions carry equal marks
1. (a) Outline five differences between direct production and indirect production. (10mks)
(b) Distinguish between a public corporation and a public ltd company. (10mks)
2. (a) Describe the procedure that a shareholder would follow in selling shares through the stock exchange. (10mks)
(b) Outline five problems that are encountered in measuring National income in your country. (10mks)
3. (a) Manufacturers distribute their products to the final consumers through various channels. Highlight five factors considered in choosing a particular channel of distribution. (10mks)
(b) Outline five circumstances under which an insurance contract may be terminated. (10mks)
4. (a) The following details were extracted from the books of Flax Traders on 31st Dec. 2010.
   Closing stock 274,000
   Capital 259,000
   Gross profit 380,000
   Drawings 83,000
   Creditors 93,000
   Premises 103,000
   Debtors 123,000
   Cash at Bank 33,000
   1 year bank loan 50,000
   General Expenses 54,000
   Commission received 20,000
   Wages and salaries 132,000

   Required:-
   (i) Prepare Flax Trading profit and loss account for the year ended 31st Dec. 2010. (10mks)
   (ii) Prepare Flax Traders balance sheet as at 31st Dec. 2010. (10mks)

5. (a) Moto Moto Limited operates as a monopolist. Explain five factors that may have made this firm acquire monopoly power. (10mks)
(b) Unemployment is a problem in any economy in the world. Explain five measures that the Kenyan government may take to reduce this problem. (10mks)

6. (a) The following balance sheet was extracted from the books of Kirui traders on 1st April 2011.

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

<table>
<thead>
<tr>
<th>Shs.</th>
<th>Shs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>200,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>82,000</td>
</tr>
<tr>
<td>Stock</td>
<td>140,000</td>
</tr>
<tr>
<td>Cash</td>
<td>20,000</td>
</tr>
<tr>
<td></td>
<td><strong>442,000</strong></td>
</tr>
</tbody>
</table>

   The following transactions took place during the month of April 2011.
   4.04.2011 Mrs. Kirui sold her personal assets for shs. 30000 receiving payment by cheque which she invested in the business.
   10.04.2011 She purchased goods for shs. 29,000 on credit from Mutai.
   19.04.2011 She returned goods worth shs. 3,000 to Mutai after they were found defective.
   30.04.2011 She sold goods for shs. 12,000 cash.

   Required:
   a) Open the relevant ledger accounts from the balance sheet, record the above transactions and balance them off. As at 30.04.2011 (12mks)
   (b) Explain four ways that a firm would adopt to improve the efficiency of labour as a factor of production. (8mks)