INSTRUCTIONS TO CANDIDATES:

- Write your name and index number in the space provided above.
- Sign and write the date of the examination in the spaces provided above.
- Answer all the questions.
- All answers must be written in the spaces provided.

FOR EXAMINER’S USE ONLY

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</tbody>
</table>

TOTAL MARKS

Business Studies Paper 1
1. Give four features of departmental stores. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________

2. Highlight four roles of an entrepreneur to the economy of a country. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________

3. Give four reasons why a manufacturer may offer after-sales services to his customers. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________

4. Outline four circumstances under which it would be appropriate to use signs to communicate. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________

5. Highlight four measures taken by producers to ensure consumers are protected when using their products. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________

6. List four disadvantages of using containers to transport goods. (4mks)
   (a) _______________________________________________________________________
   (b) _______________________________________________________________________
   (c) _______________________________________________________________________
   (d) _______________________________________________________________________
7. The diagram below shows the circular flow of income in a two sector economy.

![Circular Flow Diagram]

Name the parts marked A, B, C and D. (4mks)

(a) ___________________________________________________________________________

(b) ___________________________________________________________________________

(c) ___________________________________________________________________________

(d) ___________________________________________________________________________

8. The table below shows the change in population size in a certain country between 1999 and 2001.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total population (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>20</td>
</tr>
<tr>
<td>2000</td>
<td>25</td>
</tr>
<tr>
<td>2001</td>
<td>30</td>
</tr>
</tbody>
</table>

State four factors that may have contributed to the population trend shown above. (4mks)

(a) ___________________________________________________________________________

(b) ___________________________________________________________________________

(c) ___________________________________________________________________________

(d) ___________________________________________________________________________

9. State four uses of a trial balance to a business. (4mks)

(a) ___________________________________________________________________________

(b) ___________________________________________________________________________

(c) ___________________________________________________________________________

(d) ___________________________________________________________________________
10. State **four** principles of public expenditures. (4mks)

(a) 

(b) 

(c) 

(d) 

11. Highlight **four** conditions that a customer should satisfy before a bank can grant him a loan. (4mks)

(a) 

(b) 

(c) 

(d) 

12. The diagram **below** shows the demand and supply curves of a certain commodity and corresponding equilibrium price (P<sub>o</sub>) and quantity (Q<sub>o</sub>). On the diagram, show the new equilibrium price and quantity as a result of an increase in the demand of the commodity. (4mks)

![Diagram of supply and demand curves]

13. Identify the types of advertising described in the statements given **below**. (4mks)

(a) Create awareness about a product.

(b) Promotes the name of the manufacturer.

(c) Persuades potential customers to buy a particular brand of a product.

(d) Promotes a particular brand of a product.
14. **Highlight four** reasons why economic planning is important to a country. (4mks)

(a) 

(b) 

(c) 

(d) 

15. **Outline four** negative effects of inflation to an economy. (4mks)

(a) 

(b) 

(c) 

(d) 

16. A group of businessmen from a certain town have formed a cartel. **State four** reasons that could have led them to take such an action. (4mks)

(a) 

(b) 

(c) 

(d) 

17. **Outline four** benefits which may accrue to an organization which uses office machines in its operations. (4mks)

(a) 

(b) 

(c) 

(d) 

18. Otieno a trader had the following assets and liabilities on 1<sup>st</sup> March 2011.

<table>
<thead>
<tr>
<th>Description</th>
<th>Ksh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>120,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>80,000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>20,000</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>10,000</td>
</tr>
<tr>
<td>Stock</td>
<td>25,000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>5,000</td>
</tr>
</tbody>
</table>

On March 2<sup>nd</sup> he had the following transactions:
- Purchased goods for Ksh.15,000 on credit.
- Received a cheque for Ksh.10,000 from a debtor.
- Sold the machinery for Ksh.90,000 in cash.

Prepare Otieno’s balance sheet as at 2<sup>nd</sup> March 2011. (4mks)
19. Kobe insured his house against the risk of the fire. Six months later, the house was completely destroyed by fire. Outline the procedure that should be followed before he is compensated. (4mks)

(a) ____________________________________________________________

(b) ____________________________________________________________

(c) ____________________________________________________________

(d) ____________________________________________________________

20. The following information relates to Musiko Traders for the year ended 31st December 2011.

<table>
<thead>
<tr>
<th></th>
<th>Ksh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>800,000</td>
</tr>
<tr>
<td>General expenses</td>
<td>120,000</td>
</tr>
<tr>
<td>Carriage on sales</td>
<td>10,000</td>
</tr>
<tr>
<td>Commission income</td>
<td>40,000</td>
</tr>
<tr>
<td>Margin</td>
<td>20%</td>
</tr>
</tbody>
</table>

Prepare Musiko Traders profit and loss account for the year ending 31st December 2011. (4mks)
21. **State four** reasons why it may be necessary for the government to encourage new firms to be located in the rural areas. (4mks)

(a) ____________________________________________________________________________

(b) ____________________________________________________________________________

(c) ____________________________________________________________________________

(d) ____________________________________________________________________________

22. **State four** measures that Kenya may take to promote her exports. (4mks)

(a) ____________________________________________________________________________

(b) ____________________________________________________________________________

(c) ____________________________________________________________________________

(d) ____________________________________________________________________________

23. **Name the factor of production that each of the following resources relate to.** (4mks)

<table>
<thead>
<tr>
<th>Resource</th>
<th>Factor of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Manager</td>
<td></td>
</tr>
<tr>
<td>(b) Equipments</td>
<td></td>
</tr>
<tr>
<td>(c) Raw materials</td>
<td></td>
</tr>
<tr>
<td>(d) Owner</td>
<td></td>
</tr>
</tbody>
</table>

24. **State four** advantages of public warehouse to producers. (4mks)

(a) ____________________________________________________________________________

(b) ____________________________________________________________________________

(c) ____________________________________________________________________________

(d) ____________________________________________________________________________

25. **Highlight four** benefits that will accrue to a firm that expands its scale of operations. (4mks)

(a) ____________________________________________________________________________

(b) ____________________________________________________________________________

(c) ____________________________________________________________________________

(d) ____________________________________________________________________________