LENOCET EVALUATION TEST
KENYA CERTIFICATE OF SECONDARY EDUCATION

565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2013
2 HRS

INSTRUCTIONS TO CANDIDATES:
(a) Write your name and index number in the spaces provided above
(b) Sign and write the date of examination in the spaces provided above.
(c) Answer ALL the questions in the spaces provided

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marks</td>
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<thead>
<tr>
<th>Question</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marks</td>
<td></td>
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</tbody>
</table>

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1. Highlight four circumstances under which a trader would hire instead of purchasing an office machine. (4marks)

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2. Outline four causes of demand pull inflation. (4marks)

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3. Highlight four factors that may limit the use of Air transport in Kenya. (4marks)

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4. Outline four components of a business plan. (4marks)

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5. Write the account to debit and credit from the following transactions: (4marks)

<table>
<thead>
<tr>
<th>Transactions</th>
<th>DR</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Sold goods on credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) Returned goods to the seller</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(c) Bought machine on credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>from N. Traders</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Bought stock on credit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. State **four** roles of stock exchange market in the economy. (4marks)

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7. Use the following diagram to answer the question below.

Highlight **four** factors that has led to the shift from $D_0 D_0$ to $D_2 D_2$. (4marks)

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8. Outline **four** factors that may influence the choice of a distribution channel. (4marks)

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9. The following balances were extracted from the books of Roho Safi Merchants for the year ended 31st December 2006.

<table>
<thead>
<tr>
<th>Description</th>
<th>Sh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>110 000</td>
</tr>
<tr>
<td>Debtors</td>
<td>64 000</td>
</tr>
<tr>
<td>Capital</td>
<td>156 000</td>
</tr>
<tr>
<td>Sales</td>
<td>95 000</td>
</tr>
<tr>
<td>Purchases</td>
<td>58 000</td>
</tr>
<tr>
<td>Stock</td>
<td>35 400</td>
</tr>
<tr>
<td>Creditors</td>
<td>47 700</td>
</tr>
<tr>
<td>General expenses</td>
<td>41 800</td>
</tr>
</tbody>
</table>
Prepare a trial balance as at 31\textsuperscript{st} December 2006. 

10. Highlight four circumstances under which an Insurance Company may re-insure. (4 marks)

11. Mention four ways in which one can identify a business opportunity. (4 marks)

12. The following information relate to Nanyuki traders for the period ended 31\textsuperscript{st} December 2012.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>Sh. 1,000,000</td>
</tr>
<tr>
<td>Opening stock</td>
<td>Sh. 100,000</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>20%</td>
</tr>
<tr>
<td>Closing stock</td>
<td>25% of cost of goods sold</td>
</tr>
</tbody>
</table>

Required:
Prepare trading account for the period ended 31st December 2012. (4 marks)

13. Highlight **four** features of a monopolistic market structure. (4 marks)

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14. Write the following accounts as either Nominal, Real or Personel account. (4 marks)

<table>
<thead>
<tr>
<th>Account</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td></td>
</tr>
<tr>
<td>Rent Owing</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td></td>
</tr>
</tbody>
</table>

15. List **four** factors that may limit the growth of a country’s national income. (4 marks)

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16. For each of the following transactions, indicate the book of original entry in which the following transactions would be recorded. (4 marks)

<table>
<thead>
<tr>
<th>Transactions</th>
<th>Books of original entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Bought goods on credit for sale</td>
<td></td>
</tr>
<tr>
<td>(b) Sold an old typewriter on credit</td>
<td></td>
</tr>
<tr>
<td>(c) Withdrew cash for personal use</td>
<td></td>
</tr>
<tr>
<td>(d) Returned good bought on credit for sale</td>
<td></td>
</tr>
</tbody>
</table>

17. List four implications of production activities in environment and community health. (4 marks)

- Implication 1
- Implication 2
- Implication 3
- Implication 4

18. Highlight four services that Central Bank give to commercial banks. (4 marks)

- Service 1
- Service 2
- Service 3
- Service 4

19. Record the following transactions in ledger account. (4 marks)

(i) March 1 2013 paid wages sh. 50 000 by cheque.

   | | | |
(ii) Bought a motor vehicle on credit from Marshals LTD sh. 120,000 on March 2 2013

20. Highlight four negative implication of rapidly growing population in a country. (4 marks)

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21. Highlight four environmental factors that affects the business internally. (4 marks)

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22. Highlight four rules of Government expenditure. (4 marks)

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23. Highlight four importance of advertising to a consumer. (4 marks)

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24. JB importers have imported goods which are being held at the port of Mombasa awaiting clearance. Identify four documents used in international trade that the company will require to have goods released. (4 marks)

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25. Highlight four duties of a receptionist in an organisation. (4 marks)

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