565/1
BUSINESS STUDIES
PAPER 1
JULY/AUGUST 2013
TIME: 2 HOURS

KIHARU/KAHURO DISTRICT JOINT EXAMINATION – 2013

Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 1
TIME: 2 HOURS.

INSTRUCTIONS TO CANDIDATE’S
Answer ALL the questions in the spaces provided below each question.

FOR EXAMINER’S USE ONLY:

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
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<th>14</th>
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<tbody>
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<td>Marks</td>
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<thead>
<tr>
<th>Question</th>
<th>15</th>
<th>16</th>
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<th>19</th>
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<th>21</th>
<th>22</th>
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<tbody>
<tr>
<td>Marks</td>
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TOTAL MARKS
1. **State four** characteristics of human wants. (4 marks)

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2. **Highlight four** reasons why ethics should be considered when running a business. (4 marks)

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3. **List four** characteristics of direct production. (4 marks)

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4. Matano traders received a cheque from a debtor but on presenting the cheque to bank for encashment, the cheque was dishonoured. **Give four** reasons that could have led to the above occurrence. (4 marks)

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5. **Highlight four** reasons why the government issues trading licenses to traders. (4 marks)

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<table>
<thead>
<tr>
<th>Year</th>
<th>Average price of exports</th>
<th>Average price of imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>5,000</td>
<td>8,000</td>
</tr>
<tr>
<td>2002</td>
<td>7,500</td>
<td>13,000</td>
</tr>
</tbody>
</table>

Compute the country’s terms of trade. Use 2001 as the base year. (6 marks)

7. State four methods used by commercial banks to effect money transfer. (4 marks)

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8. Highlight four advantages of bonded warehouse to the government. (4 marks)

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9. State three demerits associated with ageing population. (3 marks)

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10. State four factors that determine the choice of an appropriate channel of distribution. (4 marks)

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11. State four circumstances under which a firm may choose to operate on small scale basis. (4 marks)

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12. Highlight four advantages of sending parcels by courier firms. (4 marks)

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13. The following information was extracted from the books of Juma’s business on 31st March 2010.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock 1st April 2010</td>
<td>8,000</td>
</tr>
<tr>
<td>Stock 31st March 2011</td>
<td>9,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>4,500</td>
</tr>
<tr>
<td>Sales</td>
<td>21,000</td>
</tr>
</tbody>
</table>
Calculate:
(i) Margin. (2 marks)

(ii) Rate of stock turnover. (2 marks)

14. Highlight four reasons why government imposes tax in a country. (4 marks)

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15. Identify the office equipment that’s used in each of the purposes. (4 marks)

(i) Printing postage impressions on envelope

(ii) Preparing cash receipts

(iii) Cutting unwanted documents into tiny pieces

(iv) Pinning papers together

16. The following show a shift in demand curve.
Highlight the factors that will lead to the shift of demand curve $D_1$ to $D_2$. (4 marks)

17. Kenya is yet to realize its vision 2030 plan. Outline four factors that can hinder Kenya from realizing its vision 2030. (4 marks)

18. Highlight four functions of advertising agencies to an advertiser. (4 marks)

19. The following information shows the financial position of Achoki traders as at 1st May 2010.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>40,000</td>
</tr>
<tr>
<td>Rent owing</td>
<td>12,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>110,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>20,000</td>
</tr>
<tr>
<td>Stock</td>
<td>60,000</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>38,000</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Required: Prepare balance sheet of the business as at 1st May 2010. (4 marks)
20. Mueni insured her house worth sh.500,000 for sh.300,000 against fire. The house caught fire and part of the house worth sh.250,000 was destroyed. How much will Mueni be compensated. (Show all your working). (3 marks)

21. Outline four circumstances when it is advisable to use air transport instead of water transport. (4 marks)

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22. State the measurement approach used in the following items. (4 marks)

<table>
<thead>
<tr>
<th>Item</th>
<th>Measurement approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Receipt from transport services</td>
<td>______________________</td>
</tr>
<tr>
<td>(b) Government investments</td>
<td>______________________</td>
</tr>
<tr>
<td>(c) Households paying school fees</td>
<td>______________________</td>
</tr>
<tr>
<td>(d) Grinding maize into flour</td>
<td>______________________</td>
</tr>
</tbody>
</table>

23. Highlight four circumstances under which sole proprietorship may be dissolved. (4 marks)

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24. Outline four measures that the Central bank can apply to reduce money supply in the economy. (4 marks)

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25. Give four features of a good filling system. (4 marks)

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