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**MOCK EXAMINATIONS**

**565/1 BUSINESS STUDIES PAPER 1**

**JUNE 2015**

**TIME 2 HOURS**

STAREHE BOYS’ CENTRE

**Instructions**

**Answer all questions in the spaces provided**

**This paper consists of 9 printed pages. Please confirm that all the pages exist and are properly printed before starting the exam.**

1. Highlight four reasons for which business should observe ethical practice. {4 marks}

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2. Outline four positive implications of a youthful population to an economy. {4 marks}

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3. Highlight four circumstances in which a cheque may be used as a means of payment. {4 marks}

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4. Outline four features of liners is sea transport. {4 marks}

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5. Mango Traders had the following ledger account balances as at 31st December 2014.

Ksh.

Sales 100,000

Purchases 170,000

Returns inwards 10,000

Returns outwards 20,000

Salaries 30,000

Capital 40,000

Bank loan 50,000

Prepare the business trial balance as at 31 December 2014. {5 marks}

6. Of late the government has privatized many public corporations. Outline any four reasons that may have led to this. {4 marks}

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7. Outline four functions of the International Bank for Reconstruction and Development. {4 marks}

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8. The following balances were extracted from the books of Ayuma Enterprises on 31/12/2014.

Sh.

Gross profit 120,000

Rent income 100,000

Dividend received 200,000

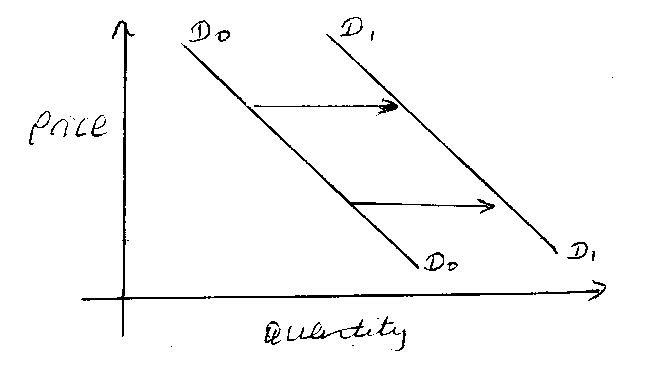
Salaries 300,000

Carriage outwards 10,300

Discount allowed 21,000

Prepare Ayuma Enterprises profit and loss account for the year ended 31/12/2014. {4 marks}

9. The diagram below represents the demand of a commodity X in the market.



Highlight factors that may cause a change from D0 D0 to D1 D1 {4 marks}

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10. Highlight four reasons why a small scale business may succeed despite competition it faces from

large firms. {4 marks}

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11. State four advantages of using credit cards as a means of payment. {4 marks}

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12. Highlight four circumstances under which a seller would require a buyer to pay cash with order.

(C.W.O) {4 marks}

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13. Identify four ways through which businesses give after sales services to their customers. {4 marks}

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14. Outline four differences between a cheque and Bills of exchange. {4 marks}

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15. List four levels of inflation. {4 marks}

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16. Outline four benefits of export processing zones to a country. {4 marks}

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17. Highlight four monetary policy measures used by the central bank to decrease money supply in

the economy. {4 marks}

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18. Highlight four demerits of letters as a means of communication. {4 marks}

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19. Outline four features of a public limited company. {4 marks}

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20. On 1st January 2015 the cash book of Moja Traders showed cash and bank balances of Sh. 10,000 and sh. 20,000 (cr) respectively. Transactions that took place during the month were:-

January 2 Cash sales sh. 12,000.

January 10 Paid sh. 2,000 cash in respect of wages.

January 15 Received a cheque for sh. 35,000 from a debtor.

January 25 Withdrew sh. 5,000 from bank for office use.

January 29 Paid sh. 3,000 cash to a creditor.

Prepare a two column cash book for the month. {5 marks}

21. An organization wants to increase the productivity of its workers. Highlight any four cause of action it can take in order to achieve this. {4 marks}

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22. Outline any four sources of monopoly power for a firm. {4 marks}

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23. Differentiate between ordinary shares and preference shares of a company. {4 marks}

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24. Highlight any four characteristics of an under developed country. {4 marks}

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25. Outline the meaning of the following as used in International Trade. {2 marks}

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