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**Paper 1**

1. Outline four reasons for establishment of a business enterprise. 4mks\*BND\*
  2. Identify four documents used in the delivery process in home trade. 4mks\*BND\*
  3. Outline three basic qualities of an office worker. 3mks\*BND\*
  4. Outline four ways in which the government influences the quantity of a commodity supplied. 4mks\*BND\*
  5. Highlight four factors that may be used in determining the size of a firm. 4mks\*BND\*
  6. Outline four uses of a general journal. 4mks\*BND\*
  7. Identify four type of taxes levied on businesses in Kenya. 4mks\*BND\*
  8. The Central Bank is a banker to the government. Outline four banking services that it provides to the government. 4mks\*BND\*
9. The following information was extracted from the books of Kabila Traders for the year ended 31<sup>st</sup> December, 2003.

	shs
Capital on 1 <sup>st</sup> January 2003	270,000
Capital on 31 <sup>st</sup> December 2003	320,000
Drawings during the year	100,000
Additional capital introduced during the year 2003	30,000

Calculate Kabila Traders Ltd's profit or loss for the year ended 31<sup>st</sup> December 2003

3mks\*BND\*

10. Identify four sources of monopoly powers.
11. Under what circumstances would a common carrier refuse to transport goods of a particular trader 4mks\*BND\*
12. Highlight four advantages of hire purchase to the seller. 4mks\*BND\*
13. The following balances were extracted from the books of Njoroge traders on 31<sup>st</sup> May 2004.

Shs

Creditors	62,500
Stock	2,000
2 years bank loan	40,000
Bank	160,000
Cash	20,000
Premises	800,000

Prepare his balance sheet

4mks\*BND\*

14. Record the following transactions in the relevant ledger accounts.

2004

June 1 Ochieng started a business with shs.50,000 cash

“ 4 Bought office equipment for shs. 2,000

“ 6 Deposited shs.12,000 into the business bank account

“ 8 Bought stock for the shs.10,000

(Balancing of accounts not required)

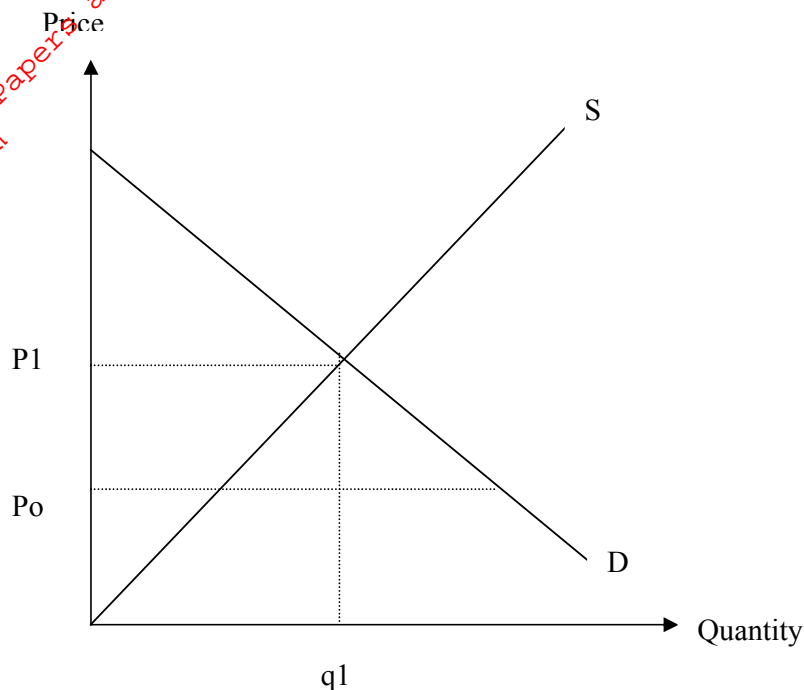
4mks\*BND\*

15. Differentiate between circular letters and Memoranda.

4mks\*BND\*

Letters	Memoranda
i)	i)
ii)	ii)
iii)	iii)
iv)	iv)

16. The following diagram represents the demand and supply of a commodity.



State four effects of fixing maximum price at  $P_o$ .

4mks\*BND\*

17. Outline four characteristics of insurable risks. 4mks\*BND\*
18. Outline four factors to consider when deciding on an ideal office layout. 4mks\*BND\*
19. The following information was extracted from the books of Bondo Traders as at 31<sup>st</sup> December, 2004.

	Shs
Opening stock	2,500
Purchases	46,000
Closing Stock	1,500
Mark up	20%

- Prepare a trading account. 4mks\*BND\*
20. The following transactions relate to Kabala Traders for the month of December, 2004.
- 2<sup>nd</sup> December: Cash sales shs. 30,000
- 8<sup>th</sup> December: Banked sh. 15,000
- 10<sup>th</sup> December: withdrew sh. 10,000 from bank for office use.

- Prepare a cash extract. 5mks\*BND\*
21. Identify four advantages of export processing zones to a country. 4mks\*BND\*
22. Outline four benefits that a country gets by being a member of the international monetary fund (IMF) 4mks\*BND\*
23. Identify four short falls of after sales service as a method of sales promotion to the buyers. 4mks\*BND\*
24. State four circumstances under which a country's terms of trade would be unfavourable. 4mks\*BND\*

25. The following assets and liabilities were available as at 1<sup>st</sup> January, 2005.

	Shs
Cash in hand	43,000
Furniture	19,000
Telephone bills due	3,000
Rent outstanding	8,000
Electricity prepaid	4,000
Debtors	19,000

- Prepare a statement of affairs as at 1<sup>st</sup> January 2005. 4mks\*BND\*