

**K.C.S.E YEAR 2010**  
**PAPER 1**

1. In the spaces provided below, indicate the type of utility created by each of the following commercial activities:  
(4 marks)

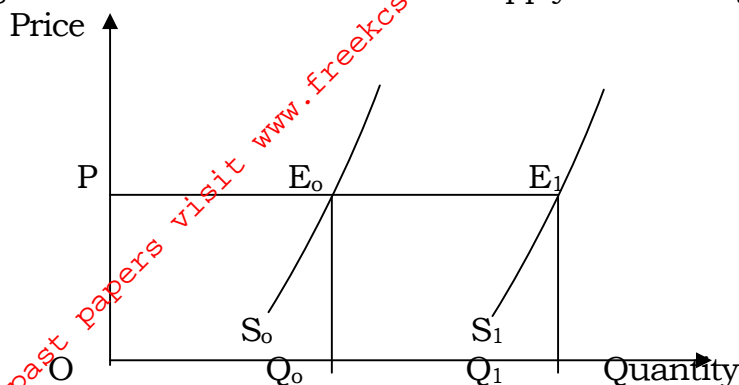
Commercial activity	Type of utility
(i) Selling goods to customers;	.....
(ii) Transporting goods;	.....
(iii) Storekeeping;	.....
(iv) Making a chair.	.....

(5 marks)

2. Give **five** reasons why the government may find it necessary to start a parastatal.
3. Name the types of warehouses associated with each of the statements given below: (4 marks)

Statement	Type of warehouse
(i) Goods can be stored before payment of customs duty.	
(ii) Individuals can hire storage facilities.	
(iii) Goods are stored from several manufacturers.	
(iv) Specialised goods are stored	

4. The figure below shows a shift in the supply curve of a given commodity.



Outline **four** factors that may have caused the shift in the supply curve from  $S_0$  to  $S_1$ .

5. The balances given below relate to Enotika Traders for the year e. 31<sup>ST</sup> December 2008.

**Shs**

Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Prepare a balance sheet as at 31st December 2008.

(5 marks)

6. Give two reasons why a three column cashbook is used both as a journal and a ledger. (4 marks)
7. The management of national debt, credit control and lender of last resort are some of the functions of the Central Bank. Match these functions with the statements given below. (3 marks)

	Statement	Function
i.	Repayment of Government securities as they mature.	
ii.	Receipt of treasury bills to secure loans.	
iii.	Directing commercial banks on the preferred sectors to lend money.	

8. State the meaning of the following terms of sale as used in international trade:  
(4 marks)

(i) LOCO.....

(ii) C.I.R

(iii) F.A.S.

(iii) F.O.Q

The manager of Tasa Limited constantly walks around various departments. State **four** merits of this style of management.

(4 marks)

9. State **four** reasons why the government should create an enabling environment for investors. (4 marks)

10. Outline four differences between insurance and assurance.  
(4 marks)

11. State **four** factors that may influence the level of national income.  
(4 marks)

12. Outline the difference between cash and credit transactions.  
(2 marks)

13. The terms capital employed, working capital, owner's equity and borrowed capital are types of capital found in a business. Match each of the statements given below with the relevant type of capital. (3 marks)

#### Statement

#### Type of capital

(i) Resources invested into the business by the owner.

(ii) Excess of current assets over current liabilities.

(iii) Amount invested into the business by outsiders.

14. Outline **four** ways in which government expenditure may stabilize the economy of a country. (4 marks)

15. State **four** problems associated with development planning.

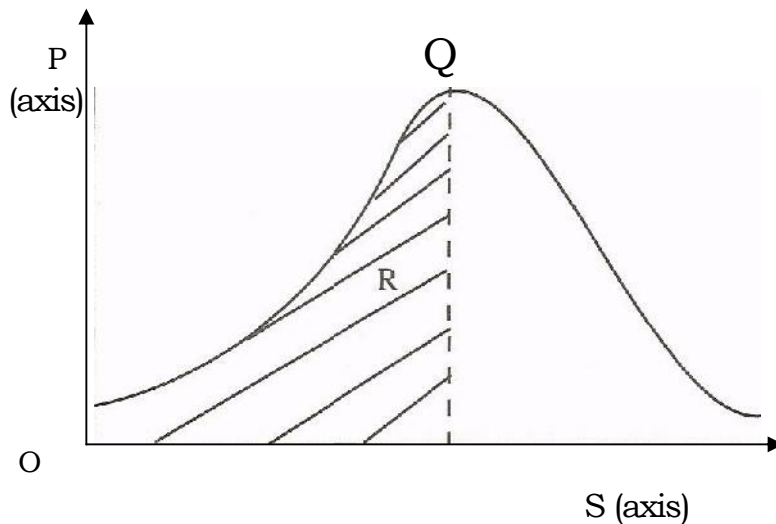
(4 marks)

16.State **four** services that a **wholesaler** may offer to a manufacturer.

(4 marks)

17.State **four** reasons why flower exporters would transport their produce by air rather than by sea.(4 marks)

18.The diagram below represents the relationship between population and income per capita.



(4 marks)

State what is represented by P and S axes, and letters R and Q.

20. The following information was extracted from the books of Helen Traders;

	1/1/2008	31/12/2008
	Shs	Shs
(i) Salaries pre-paid	24,800	52,400
(ii) Salaries paid	-	48,200

Prepare a salary expense account using the above information.

(5 marks)

21 State **four** circumstances under which one may decide to start a personal business. (4 marks)

22 Highlight **four** ways in which a business idea can be implemented. (4 marks)

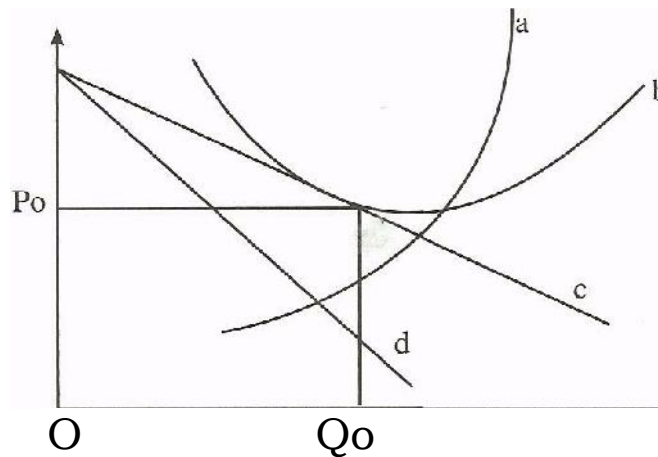
23 Outline **five** measures that a manager can take to improve the working environment in the office. (5 marks)

24. Highlight **four** challenges that a person may encounter when using a cellphone (mobile phone)

(4 marks)

25. The diagram below represents the long-run equilibrium of a firm under monopolistic competition.

Price



Name the curves represented by the letters a, b, c, and d

Quantity  
(4 marks)