1. State four advantages of operating a partnership form of business. 
   (4 marks)
   (a) 
   (b) 
   (c) 
   (d) 

2. Outline four risks which a shopkeeper may insue. 
   (4 marks)
   (a) 
   (b) 
   (c) 
   (d) 

3. Give four ways in which a government may participate in the operations of a state corporation. 
   (4 marks)
   (a) 
   (b) 
   (c) 
   (d) 

4. Outline four considerations that a seller should take into account before giving credit to a new customer. 
   (4 marks)
   (a) 
   (b) 
   (c) 
   (d) 

Connect with Joshua Arimi in facebook 
For Tips on passing KCSE register @ http://www.joshuaarimi.com
5. The table below shows the occupations in production. Indicate the level of production associated with each of the occupations. (4 marks)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Level of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Mining</td>
<td></td>
</tr>
<tr>
<td>(b) Oil refining</td>
<td></td>
</tr>
<tr>
<td>(c) Insurance</td>
<td></td>
</tr>
<tr>
<td>(d) Teaching</td>
<td></td>
</tr>
</tbody>
</table>

6. What are the advantages of personal selling as a method of sales promotion? (4 marks)
(a) ........................................................................................................
(b) ........................................................................................................
(c) ........................................................................................................
(d) ........................................................................................................

7. The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price ($P_0$) and quantity ($Q_0$). On the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity. (4 marks)

8. Give four assumptions that are associated with perfect competition. (4 marks)
(a) ........................................................................................................
(b) ........................................................................................................
(c) ........................................................................................................
(d) ........................................................................................................
9. List four types of unemployment in an economy and give the cause for each. (4 marks)
   (a) 
   (b) 
   (c) 
   (d) 

10. What benefits may accrue to a manufacturing firm that uses modern technology? (4 marks)
    (a) 
    (b) 
    (c) 
    (d) 

11. Highlight four benefits of using electronic filing system. (4 marks)
    (a) 
    (b) 
    (c) 
    (d) 

12. State four social responsibilities that a manufacturing firm should have on the community. (4 marks)
    (a) 
    (b) 
    (c) 
    (d) 

13. What factors may encourage entrepreneurship in Kenya? (4 marks)
    (a) 
    (b) 
    (c) 
    (d) 

14. Highlight four characteristics of economic resources. (4 marks)
    (a) 
    (b) 
    (c) 
    (d)
15. Give four reasons why one would prefer a letter to a telephone to send a message. (4 marks)

(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................

16. State the effect of each of the following transactions on the balance sheet by writing increase, or decrease or no effect in each case. (4 marks)

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Bought machinery on credit</td>
<td></td>
</tr>
<tr>
<td>(b) Withdrew cash from the business for personal use</td>
<td></td>
</tr>
<tr>
<td>(c) Purchased stock in cash</td>
<td></td>
</tr>
<tr>
<td>(d) Paid outstanding loan by cheque</td>
<td></td>
</tr>
</tbody>
</table>

17. The following balances were extracted from the books of Chebi Traders for the month ended 31 March 2005.

<table>
<thead>
<tr>
<th></th>
<th>Sh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>420,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>240,000</td>
</tr>
<tr>
<td>Motor van</td>
<td>300,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>120,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>80,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>40,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>160,000</td>
</tr>
<tr>
<td>Capital</td>
<td>440,000</td>
</tr>
</tbody>
</table>

Prepare trial balance of Chebi Traders for the month ended 31 March 2005. (4 marks)
18. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 December, 2005.

<table>
<thead>
<tr>
<th></th>
<th>Sh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>500,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>320,000</td>
</tr>
<tr>
<td>Opening stock (1.1.2005)</td>
<td>80,000</td>
</tr>
<tr>
<td>Closing stock 31.12.2005</td>
<td>40,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>140,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>90,000</td>
</tr>
</tbody>
</table>

Calculate

(a) Margin
(b) Current ratio
(c) Rate of stock turnover (4 marks)

19. Outline four benefits of direct taxation to the government. (4 marks)

(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................

20. State four factors that may cause inflation in an economy. (4 marks)

(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................
21. Outline four ways that the World Bank may use to assist developing countries to improve their economies. (4 marks)
(a) .................................................................................................................................
(b) .................................................................................................................................
(c) .................................................................................................................................
(d) .................................................................................................................................

22. State four problems that a planner may encounter in development planning. (4 marks)
(a) .................................................................................................................................
(b) .................................................................................................................................
(c) .................................................................................................................................
(d) .................................................................................................................................

23. Outline four benefits to a trader who operates a small retail outlet. (4 marks)
(a) .................................................................................................................................
(b) .................................................................................................................................
(c) .................................................................................................................................
(d) .................................................................................................................................

24. Study the table below and calculate the values represented by the letters a, b, c and d. (4 marks)

<table>
<thead>
<tr>
<th>Output units</th>
<th>Total cost</th>
<th>Marginal cost</th>
<th>Average fixed costs</th>
<th>Variable costs</th>
<th>Average total costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 sh.</td>
<td>4000</td>
<td>0</td>
<td>(a)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>1 sh.</td>
<td>4200</td>
<td>200</td>
<td>4000</td>
<td>(b)</td>
<td>4200</td>
</tr>
<tr>
<td>2 sh.</td>
<td>5400</td>
<td>(c)</td>
<td>2000</td>
<td>700</td>
<td>2700</td>
</tr>
<tr>
<td>3 sh.</td>
<td>6600</td>
<td>1200</td>
<td>1333</td>
<td>867</td>
<td>(d)</td>
</tr>
</tbody>
</table>
25. The following balances were extracted from the books of Wanji Traders for the year ended 30 June 2005.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (Sh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debtors</td>
<td>120,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>60,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>450,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>70,000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>180,000</td>
</tr>
<tr>
<td>5 year loan</td>
<td>270,000</td>
</tr>
<tr>
<td>Stock</td>
<td>60,000</td>
</tr>
</tbody>
</table>

Prepare a balance sheet of Wanji Traders as at 30 June 2005. (4 marks)