1. State **four** advantages of division of labour.

   (a) ..........................................................................................................................

   (b) ..........................................................................................................................

   (c) ..........................................................................................................................

   (d) ..........................................................................................................................

   (4 marks)

2. Outline **four features** of a Private Limited Company.

   (a) ..........................................................................................................................

   (b) ..........................................................................................................................

   (c) ..........................................................................................................................

   (d) ..........................................................................................................................

   (4 marks)

3. State **four ways** in which a warehouse is of importance to a manufacturer.

   (a) ..........................................................................................................................

   (b) ..........................................................................................................................

   (c) ..........................................................................................................................

   (d) ..........................................................................................................................

   (4 marks)
4. The diagram below shows total cost curve of a firm in a short-run.

Calculate the average variable cost of the firm. (4 marks)

5. Outline four benefits that may accrue to a business person who uses e-mail to communicate. (4 marks)
   (a) ..........................................................
   (b) ..........................................................
   (c) ..........................................................
   (d) ..........................................................

6. Outline the meaning of the following terms as used in accounting.
   (a) Contra entry ..........................................................
       ..........................................................
       ..........................................................
       ..........................................................
       ..........................................................
       (2 marks)
7. For each of the following transactions in the table below, indicate in the spaces provided, the source document from which the transaction would be recorded. (4 marks)

<table>
<thead>
<tr>
<th>No.</th>
<th>Transaction</th>
<th>Source document</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Sales of goods on credit</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td>Correction of an under charge</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>Goods returned</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>Purchases on credit</td>
<td></td>
</tr>
</tbody>
</table>

8. State the type of ledger account to which each of the following accounts relates: (4 marks)

<table>
<thead>
<tr>
<th>Account</th>
<th>Type of Ledger account</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Commission Income</td>
<td></td>
</tr>
<tr>
<td>(b) Pre-paid Insurance</td>
<td></td>
</tr>
<tr>
<td>(c) Supplier</td>
<td></td>
</tr>
<tr>
<td>(d) Motor vehicle</td>
<td></td>
</tr>
</tbody>
</table>

9. The following balances were extracted from the books of Solai Traders as at 31st May 2006.

<table>
<thead>
<tr>
<th>Item</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>220,000</td>
</tr>
<tr>
<td>Capital</td>
<td>425,000</td>
</tr>
<tr>
<td>Net profit</td>
<td>85,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>98,200</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>11,800</td>
</tr>
</tbody>
</table>

Determine:
(a) Working capital   (2 marks)
(b) Return on capital (2 marks)
10. On 31 December 2005, Kiwa had accrued expenses of Sh. 24,000. On 31st December, 2006, the accrued expenses were Sh. 30,000. In 2006 expenses paid for amounted to Sh. 85,000. Determine the expenses for the year 2006. (4 marks)

11. Outline the circumstances under which each of the following characteristics of human wants may be observed:
   (a) Complementary wants. (2 marks)

   (b) Wants become habitual. (2 marks)

12. Outline four factors that an entrepreneur should consider before setting up a manufacturing business. (4 marks)

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

13. Outline four requirements for opening a current account with a commercial bank. (4 marks)

   (a) ....................................................................................................................
   (b) ....................................................................................................................
   (c) ....................................................................................................................
   (d) ....................................................................................................................
14. Outline four factors that a trader would consider in choosing a mode of transport. (4 marks)
(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................

15. State four reasons why ethical practice is necessary in Product Promotion. (4 marks)
(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................

16. The economy of a country X has grown at the rate of 10% per annum for the last two years. However, the standard of living among the citizens has not changed. Outline four reasons that may have contributed to this trend. (4 marks)
(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................
17. The figure shows a decrease in demand for a commodity from DD to D_1D_1. (4 marks)

State four possible causes that have led to this situation. (4 marks)

(a) .........................................................

(b) .........................................................

(c) .........................................................

(d) .........................................................

18. The following information relates to Ole Traders as at 30th June 2007.

<table>
<thead>
<tr>
<th>Item</th>
<th>Shs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery</td>
<td>200,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>100,000</td>
</tr>
<tr>
<td>Premises</td>
<td>400,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>160,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>10,000</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>100,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>40,000</td>
</tr>
</tbody>
</table>

Calculate capital for Ole Traders as at 30 June 2007 (4 marks)
19. Outline the purpose of a trial balance as used in bookkeeping. (4 marks)
   (a) ...
   (b) ...
   (c) ...
   (d) ...

20. State two characteristics of each of the following balance sheet elements: (4 marks)
    (a) Assets
       ...
    (b) Liabilities
       ...

21. Outline four measures that a government may put in place to reduce high inflation in a country. (4 marks)
    (a) ...
    (b) ...
    (c) ...
    (d) ...
22. Elephant Enterprises acquired a building valued at sh. 1,000,000 on 1 January 2007. The building was insured with two insurance companies, Zebra and Simba for sh. 600,000 and sh. 400,000 respectively. In May 2007, fire damaged the building, causing Elephant Enterprises to suffer a loss of 20% of the building value. Determine contribution made by Simba and Zebra to cover the loss.

(4 marks)

23. Outline four benefits that accrue to a business person who uses the latest technology in record keeping.

(a) .................................................................

(b) .................................................................

(c) .................................................................

(d) .................................................................

(4 marks)
24. Visitors to the offices of Triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight four measures that the secretaries can take to improve the office etiquette. (4 marks)

(a) ........................................................................................................

(b) ........................................................................................................

(c) ........................................................................................................

(d) ........................................................................................................

25. Outline four reasons why the government may use regulatory measures to protect consumers against exploitation. (4 marks)

(a) ........................................................................................................

(b) ........................................................................................................

(c) ........................................................................................................

(d) ........................................................................................................