THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 1
2 hours

Instructions to candidates

(a) Write your name and index number in the spaces provided above.
(b) Sign and write the date of examination in the spaces provided above.
(c) Answer all the questions
(d) All questions should be written in the spaces provided in this booklet.
(e) This paper consists of 13 printed pages.
(f) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
(g) Candidates should answer the questions in English.

For Examiner’s Use Only

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
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</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>14</th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>25</th>
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<tbody>
<tr>
<td>Marks</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

TOTAL MARKS

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915143
1 What are the reasons that would make an individual engage in business? (4 marks)
(a) .................................................................................................................
(b) .................................................................................................................
(c) .................................................................................................................
(d) .................................................................................................................

2 List four types of utility and the production activity associated with each of them. (4 marks)
(a) .................................................................................................................
(b) .................................................................................................................
(c) .................................................................................................................
(d) .................................................................................................................

3 Outline four ways in which the office facilitates effective handling of documents. (4 marks)
(a) .................................................................................................................
(b) .................................................................................................................
(c) .................................................................................................................
(d) .................................................................................................................
4. Highlight four factors that may influence a consumer to purchase products from a kiosk rather than a supermarket. (4 marks)

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

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

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

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

5. State four circumstances under which hire purchase may be used to acquire goods. (4 marks)

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

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

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

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

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6 Give **four** reasons for the increased use of mobile phones in banking. (4 marks)

(a) 

(b) 

(c) 

(d) 

7 Outline **four** methods that the Government of Kenya uses to regulate business activities. (4 marks)

(a) 

(b) 

(c) 

(d) 

8 State **four** disadvantages of using internet as a means of communication. (4 marks)

(a) 

(b) 

(c) 

(d)
9 State four differences between life assurance and general insurance. (4 marks)

<table>
<thead>
<tr>
<th>Life Assurance</th>
<th>General Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td></td>
</tr>
</tbody>
</table>

10 Give four reasons for observing ethical practices in product promotion. (4 marks)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td></td>
</tr>
<tr>
<td>(b)</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td></td>
</tr>
</tbody>
</table>

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915143 Turn over
The graph given below represents the demand and supply curves of milk:

State **four** effects of a shift of the demand curve to the right. (4 marks)

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

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915143
12 Outline **four** disadvantages that a manufacturer would suffer if wholesalers were eliminated from the chain of distribution.  

(a) 

(b) 

(c) 

(d) 

13 The following balance sheet was incorrectly prepared:

<table>
<thead>
<tr>
<th></th>
<th>Ksh</th>
<th>Ksh</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PEMBE TATU TRADERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BALANCE SHEET</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FOR THE YEAR ENDED 31.12.12</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stock</strong></td>
<td>5,000</td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Bank overdraft</strong></td>
<td>5,000</td>
<td>7,000</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td>9,000</td>
<td>66,000</td>
</tr>
<tr>
<td></td>
<td>19,000</td>
<td>123,000</td>
</tr>
</tbody>
</table>

Prepare a corrected balance sheet.  

---

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915143 Turn over
The following figures relate to Jumbo Traders for the year ended 31.12.13.

<table>
<thead>
<tr>
<th>Details</th>
<th>Ksh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital (31.12.13)</td>
<td>940,000</td>
</tr>
<tr>
<td>Net loss</td>
<td>20,000</td>
</tr>
<tr>
<td>Additional investment</td>
<td>420,000</td>
</tr>
<tr>
<td>Monthly drawings</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Determine the capital as at 1.01.13. (4 marks)
15 Identify the ledgers in which the following accounts are maintained. (5 marks)

<table>
<thead>
<tr>
<th>ACCOUNT</th>
<th>LEDGER</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Pendo (Debtor)</td>
<td></td>
</tr>
<tr>
<td>(ii) Machinery</td>
<td></td>
</tr>
<tr>
<td>(iii) Rent</td>
<td></td>
</tr>
<tr>
<td>(iv) Capital</td>
<td></td>
</tr>
<tr>
<td>(v) Juma (Creditor)</td>
<td></td>
</tr>
</tbody>
</table>

16 List three levels of inflation. (3 marks)

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

17 Name the documents described by the statements given below as used in International Trade: (4 marks)

(a) Requests for payment before goods are delivered.................................................................
(b) Shows ownership or title of goods imported.............................................................................
(c) Shows the country of manufacture of goods.............................................................................
(d) Shows the transportation charges for goods.............................................................................
The following Purchases Returns Journal relates to Farasi Traders:

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>INVOICE NO.</th>
<th>FOLIO</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MARCH</td>
<td></td>
<td></td>
<td></td>
<td>KSH</td>
</tr>
<tr>
<td>1</td>
<td>Junior</td>
<td>R22</td>
<td>PL1</td>
<td>2,000</td>
</tr>
<tr>
<td>3</td>
<td>Mimi Supplies</td>
<td>100</td>
<td>PL2</td>
<td>4,000</td>
</tr>
<tr>
<td>4</td>
<td>Kilimanjaro</td>
<td>30</td>
<td>PL5</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GL4</td>
<td>11,000</td>
</tr>
</tbody>
</table>

Post the information above to the relevant ledger accounts. (4 marks)

Outline four goals of development to a country. (4 marks)

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

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

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

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

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20 The following information relates to Kahawa Traders as at 31st December 2012.

<table>
<thead>
<tr>
<th>Stock Date</th>
<th>Stock</th>
<th>Ksh</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.12</td>
<td></td>
<td>80,000</td>
</tr>
<tr>
<td>31.1.12</td>
<td></td>
<td>120,000</td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td>1,000,000</td>
</tr>
<tr>
<td>Margin</td>
<td></td>
<td>20%</td>
</tr>
</tbody>
</table>

Required:
Prepare a trading account. (5 marks)

21 State four reasons that make it necessary for firms to maintain a healthy environment. (4 marks)

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

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

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

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

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22. Highlight four benefits of a business plan to an entrepreneur. (4 marks)

(a) 

(b) 

(c) 

(d) 

23. Outline four benefits of sea transport over air transport. (4 marks)

(a) 

(b) 

(c) 

(d) 

24. In which ways can an investor benefit from the stock exchange? (4 marks)

(a) 

(b) 

(c) 

(d)
25 State **three** clauses found in the Memorandum of Association. (3 marks)

(a) 

(b) 

(c) 

THIS IS THE LAST PRINTED PAGE.

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