**NAME……………………………………ADM NO…………CLASS……**

**565/1**

**BUSINESS STUDIES**

**Paper 1**

**July 2019**

 **MOKASA II JOINT EXAMINATIONS**

**Kenya Certificate of Secondary Education**

BUSINESS STUDIES

2 Hours

**Instructions to candidates**

*a) Write your name, class and admission number in the spaces provided above*

*b) Answer* ***all*** *the questions*

*c) All answers should be written in the spaces provided in this paper*

*d) Check the question paper to ascertain that all questions are printed*

*e) Answer the questions in English*

 **For Examiners Use Only**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|  |  |  |  |  |  |  |  |  |  |

1. Outline **four** reasons why filing is an important function of an organization.(4marks)

a)……………………………………………………………………………………………

b)……………………………………………………………………………………………

c)……………………………………………………………………………………………

d)……………………………………………………………………………………………

 2. Koech started a business dealing in ladies clothing ten years ago. His business has gradually been growing and making more profits. Outline ***four*** reasons that may account to this. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 3. The table below contains descriptions of some goods. Classify them as Consumer, Intermediate, Free goods or Capital goods. (4marks)

|  |  |
| --- | --- |
| **Description** | **Classification** |
| 1. Goods used in the production of other goods but does not form part of the finished products
 |  |
| 1. Goods that are in their final state of usage
 |  |
| 1. Goods that are abundant in supply and have no monetary value
 |  |
| 1. Goods that are not ready for use before they are further processed
 |  |

 4. Outline **four** examples of open trade credit used in home trade. (4marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 5. Outline ***four*** factors that determine the amount of money held by an individual for speculative motive. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 6.Using a (+) for increase, (-) for decrease and (0) for no effect , indicate the effects of the following transactions on Assets , Liabilities, Capital and the balance sheet totals.

 (4 marks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Assets** | **Liabilities** | **Capital** | **Balance sheet totals** |
| 1. Bought goods worth shs 5000 on credit
 |  |  |  |  |
| 1. Sold goods worth shs7000 for shs8000 Cash
 |  |  |  |  |
| 1. The Proprietor took goods worth shs 2000 for personal use
 |  |  |  |  |
| 1. The Proprietor donated personal motor vehicle worth shs 500,000 to the business
 |  |  |  |  |

7. Outline **four** reasons that may have led to the change in quantities demanded of commodity X in the market as shown in the schedule below. (4marks)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Time** | **January** | **February** | **March** | **April** |
| **Price (shs)** | 120 | 120 | 120 | 120 |
| **Quantities demanded** | 6,000 | 4,000 | 2,800 | 2,000 |

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

8.The capital of Kimosop traders on 1st January 2018 was shs. 85,000. During the year, additional investments of shs.50,000 and drawings of shs.60,000 were made. The capital as at 31st Dec 2018 was 65,000. Calculate Kimosop trader’s profits or loss. (4 marks)

 9. Highlight four reasons why the government may decide to reduce her shareholding in public corporations to a level below 50%. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 10. State how the following components are treated in the measurement of national income. (4marks)

|  |  |
| --- | --- |
| **National income component** | **State whether added or subtracted** |
| a). Transfer Payments |  |
| b). Depreciation |  |
| c). Subsistence farming |  |
| d). Net income from Abroad |  |

 11. State ***four*** differences between ordinary shares and preference shares. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

12. State **four** circumstances under which the use of face to face communication may be appropriate. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

13.Highlight **four** disadvantages of using sea transport. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

14.Outline ***four*** circumstances under which a intermediaries is used in distribution of a firms products. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 15. Balance the following ledger accounts and extract a trial balance as at 30th June 2015

 (4 marks)

 Dr Debtors a/c Cr Dr Capital a/c Cr

2/6/15 Bal b/d 7000 8/6/15 Cash 1500 2/6/15 Bal b/d 16000

 Dr Cash a/c Cr Dr Creditors a/c Cr

 2/6/15 Bal b/d 12,000 5/6/15 Creditors 2000 5/6/15 Cash 2000 2/6/15Bal b/d 3000

8/6/15 Debtors 1500

 16. State **four** causes of structural unemployment. (4marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 17. Highlight ***four*** characteristics of a public warehouse. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 18. The following balance sheet belongs to Rivatex Traders.

 Rivatex

 Balance Sheet

 As at 30th June 2019

|  |  |
| --- | --- |
| Fixed Assets sh shPremises 90,000Furniture and Fixtures 70,000Land 140,000 300000 Current AssetsCash 7000Stock 15000Bank 10000Pre-paid rent 25000 57000 357,000 |  Sh Capital 120,000Add Profit 30,000Net Capital 150,000Long Term Liabilities5 year bank loan 200,000Short term liabilitiesBank overdraft 7,000 357,000 |
|  |  |

Required: Calculate

 i) Working Capital (1 mark)

 ii) Borrowed Capital (1 mark)

 iii) Capital Employed (1 mark)

 iv) Capital invested (1 mark)

 19. State **four** levels of inflation. (4marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 20.The following statements relates to a description of a certain type of tax. Identify the tax and classify it as either direct or indirect tax. (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Description | Tax | Classification |
| (a) | A tax that is imposed on goods that are manufacture and sold within a country. |  |  |
| (b) | Tax usually levied on profits of companies |  |  |
| (c) | Tax levied on the value that a business adds to a product. |  |  |
| (d) | Tax levied on personal wealth that goes beyond a certain limit. |  |  |

 21.Record the following transactions in the relevant journals (4 marks)

 2019

 Feb 2: Bought goods on Credit worth shs6500 from Eldolink suppliers

 Feb 8: Sold goods worth shs5000 on credit to Jamal.

 Feb 12: Sold stock valued at shs8500 on credit to Musyoka

 Feb 16: Bought goods worth shs3000 on credit from Jetlink traders

 22. John and Peter bought a Nissan matatu worth sh. 3,000,000. John paid sh. 2,000,000 and Peter sh. 1,000,000. They insured the matatu for a comprehensive cover for shs 2,500,000. Later the matatu was involved in an accident to a loss of sh 1,500,000. How much were they compensated and give reasons in support of your answer? (4 marks)

 23. Outline ***four*** reasons why subsistence production is discouraged in many countries. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 24. Highlight four features of an Oligopoly market structure. (4 marks)

 a)……………………………………………………………………………………………

 b)……………………………………………………………………………………………

 c)……………………………………………………………………………………………

 d)……………………………………………………………………………………………

 25. Describe the following terms of sale as used in international trade. (4 marks)

 a) LOCO…………………………………………………………………………………….

 ………………………………………………………………………………………………

 b) Free Alongside Ship …………………………………………………………………..

 ……………………………………………………………………………………………..

 c) Cost & Freight…………………………………………………………………………...

 ………………………………………………………………………………………………

 d) Franco……………………………………………………………………………………

 ………………………………………………………………………………………………