**Name:…………………………………………………Adm No:…………………………………… Date………………………………………**

**565/1**

**Business Studies**

**Paper 1**

**Time: 2 hours**

**MAGS TWO CYCLE 7**

**Kenya Certificate of Secondary Education**

**Business studies**

**Paper 1**

**Duration: 2 Hours**

**Instructions:**

*Attempt* ***ALL*** *questions in the spaces provided.*

**For examiner’s use only**

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

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16 | 17 | 18 | 21 | 22 | 23 | 24 | 25 | **TOTAL SCORE** |
|  |  |  |  |  |  |  |  |  |

1. State four challenges that a business without a plan will encounter in its operations. (4mks)
2. An entrepreneur may spot a gap in the market which may be converted into a business idea. Identify four such gaps. (4mks)
3. List down **four** trends in business ownership (4mks)

1. Outline four differences between Direct production and Indirect production (4mks)

-

|  |  |
| --- | --- |
| **Direct Production** | **Indirect Production** |
|  | i) |
| 1. . | ii) |
| 1. . | iii) |
| 1. . | iv) |

1. The following balances were extracted from the books of Kariuki traders on 31st March 2018

Fixed assets 300,000

Current assets 123,700

Creditors 84,500

5 year bank loan 125,000

Determine the networth of the business as at 31st March 2018 (4mks)

1. Highlight four similaritiess between a bill of exchange and a promissory note. (4mks)
2. Indicate the type of journal in which each of the following transactions would be recorded.(4mks)

**Transaction** **Type of journal**

1. Goods previously sold on credit were returned …………………….
2. Goods bought on credit …………………….
3. Goods sold for cash ……………………..
4. Motor vehicle sold on credit ………………………
5. Outline four ways of solving unemployment. (4mks)
6. Outline four ways in which commercial attachees may promote trade between their country and other countries. (4mks)
7. On 1st January 2017 Mr. Nyachae started a business with Ksh. 10,000 in cash. The following transactions took place during the first week of his business commencing

2nd January Deposited Sh. 5,000 in the bank

3rd January Purchased stationery worth Sh. 1,000 in cash.

4th January Bought goods worth Sh. 2,000 by cheque

Enter the above transactions in the relevant “T” accounts. (4mks)

1. Outline four differences between insurance and assurance. (4mks)

|  |  |
| --- | --- |
| **Insurance** | **Assurance** |
| 1. . |  |
| 1. . |  |
| 1. . |  |
| 1. . |  |

1. Give four ways in which consumers benefit from advertising (4mks)
2. State four features of monopolistic competition (4mks)
3. Outline four requirements for one to start a limited liability company as one of the forms of business units. (4mks)
4. State four characteristics of chain stores type of retail business. (4mks)
5. Identify the type of communication described below. (4mks)

|  |  |
| --- | --- |
| **Description** | **Type of communication** |
| a) Principal addressing students on assembly |  |
| b) Rumuors going round that the most  hardworking employee will be awarded |  |
| c) Student group discussion in a class |  |
| d) An employee seeking for permission |  |

1. Highlight four reasons why E-mail is increasingly becoming popular as a means of communication. (4mks)
2. Give four implications of a declining population (4mks)
3. Highlight four items that affect the asset stock. (4mks)
4. Classify the following accounts into personal, private, real or nominal (4mks)

|  |  |
| --- | --- |
| Account | Type of account |
| 1. Office equipment |  |
| 1. Debtor |  |
| 1. Capital |  |
| 1. Salaries |  |

1. Name what the letters a, b, c and d represent in the circular flow of income. (4mks)
2. Omolo insured his house worth sh. 5,000,000 for sh. 4,000,000. His house was damaged by fi re to the tune of sh. 3,000,000. Calculate how much Omolo was compensated. (4mks)
3. Identify any four Trade malpractices that consumers need protection against. (4mks)
4. Outline four functions of commercial banks (4mks)
5. State four types of capital in a business. (4mks)