

4.5 BUSINESS STUDIES (565)

4.5.1 Business Paper 1 (565/1)

1. Identify the component of Business Studies described in each of the statements below.

(4 marks)

No.	Statement	Component
(a)	Systematic way of recording business transactions for decision making.	
(b)	The study of trade and aids to trade.	
(c)	The study of how human beings strive to satisfy their endless wants using the available scarce resources.	
(d)	The process of identifying a business opportunity and getting necessary resources to start and run a business.	

2. State **four** limitations of direct trade.

(4 marks)

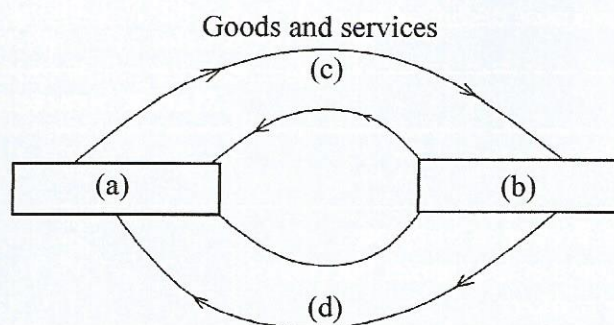
3. Kaimosi Traders owned a house whose book value was Ksh 1,000,000. They insured the house for Ksh 800,000 against the risk of fire. Fire occurred and partly destroyed the house to a cost of Ksh 800,000.

Required:

- (a) Work out the amount of compensation that Kaimosi Traders would receive. (3 marks)

- (b) State the reason for paying the amount as determined in 3(a) above. (1 mark)

4. The diagram below represents the circular flow of income in a two sector economy.



Identify what is represented by the letters (a), (b), (c) and (d).

(4 marks)

5. Name the books of original entry in which the following transactions are recorded: (4 marks)

No.	Statement	Component
(a)	Bought goods on credit from Kamau wholesalers.	
(b)	Kibisu a debtor, returned goods.	
(c)	Cash sales.	
(d)	Sold an old tractor on credit.	

6. Outline **three** circumstances under which cash with order would be preferred. (3 marks)

7. State **four** non-tax sources of Government revenue. (4 marks)

8. Highlight **four** ways in which the economic environment may lead to business success. (4 marks)

9. Outline **four** circumstances under which a firm may be located near the market for its product. (4 marks)

10. Explain the meaning of each of the following trends in business ownership: (4 marks)

- (a) Holding company
- (b) Amalgamation
- (c) Absorption
- (d) Cartel

11. Identify the market structure described by each of the conditions given below. (4 marks)

No.	Condition	Market Structure
(a)	The firm is the industry.	
(b)	Buyers and sellers have complete knowledge about entire market but cannot influence the market.	
(c)	Few large firms that dominate the market.	
(d)	Comprised of many sellers of differentiated products.	

12. Outline **four** causes of cost-push inflation. (4 marks)
13. State **four** reasons for ethical practice in business. (4 marks)
14. State whether the transactions given in the table below will cause decrease, increase or no effect on the totals of the balance sheet. (4 marks)

No.	Transaction	Effect
(a)	Bought office furniture in cash.	
(b)	Deposited some money into the business bank account from personal savings.	
(c)	Purchased goods on credit.	
(d)	Withdrew money from the bank to pay the child's hospital bill.	

15. Highlight **four** benefits of product promotion to the producer. (4 marks)
16. Name the type of unemployment described in each of the following statements: (4 marks)

No.	Statement	Type of unemployment
(a)	Caused by change in production pattern during the year influenced by weather conditions.	
(b)	Occurs repeatedly at similar times.	
(c)	The number of people employed exceeds those that are required.	
(d)	Firms are willing to employ all people at the prevailing wage rate but job seekers are not willing to take up the jobs.	

17. Outline **four** differences between primary wants and secondary wants. (4 marks)

No.	Primary wants	Secondary wants
(a)		
(b)		
(c)		
(d)		

18. The following information relates to Maji Mazuri Traders for the month of December 2021.

Details	Ksh
Loan from Bank	24,000
Stock	40,000
Cash	60,000
Debtors	12,000
Salaries	8,000
Creditors	18,000
Furniture	16,000

Work out the net worth of Maji Mazuri Traders. (4 marks)

19. Outline **four** reasons that may make the Government protect consumers. (4 marks)

20. Identify the type of financial institution described in each of the statements below. (4 marks)

No.	Statement	Type
(a)	Operates fixed deposit, savings and current accounts.	
(b)	Advances loans in proportion to one's savings.	
(c)	Sells houses through mortgages.	
(d)	Offers finance to start or expand industrial enterprises.	

21. Outline **four** benefits of electronic filing systems. (4 marks)

22. Highlight **four** benefits that Kenya may get from being a member of the East African Community. (4 marks)

23. The information below relates to Roga Roga Traders for the year 2021.

Sales Ksh 270,000
Margin 40%
Rate of stock turnover 6 times

Required:

- (a) Gross Profit (2 marks)
 - (b) Cost of Goods Sold (1 mark)
 - (c) Average stock (2 marks)
24. Highlight **four** reasons for locating bonded warehouses at border points. (4 marks)
25. Outline **four** services that retailers may offer to the consumers. (4 marks)

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4.5.2 Business Paper 2 (565/2)

1. (a) Explain **five** circumstances under which a bank may dishonour a cheque. (10 marks)
- (b) Explain **five** factors that may lead to an increase in the level of National Income of a country. (10 marks)
2. (a) Explain **five** factors that may lead to dissolution of a co-operative society. (10 marks)
- (b) Explain **five** features of underdeveloped countries. (10 marks)
3. (a) The following balances were extracted from the books of Mtito Andei Wholesalers on 1st October 2021:

Details	Ksh
Bank	80,000
Cash	15,000
Juma (creditor)	24,000
ICDC loan	70,000
Motor vehicle	210,000
Stock	45,000
Mangu (debtor)	26,000
Capital	237,000

The following transactions took place in the first week of the month:

October 2nd Withdrew Ksh 14,000 from the bank to pay Juma.

October 3rd Mangu paid his debt of Ksh 10,000 cash.

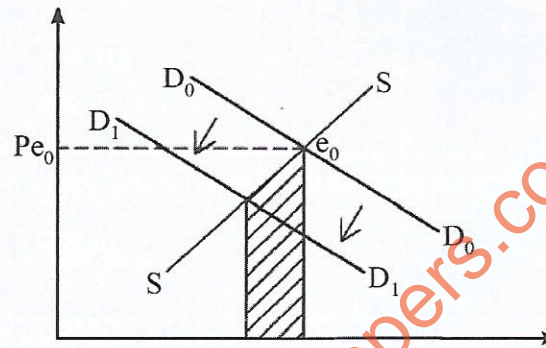
October 4th Took a loan from bank worth Ksh 170,000 cash of which Ksh 70,000 was used to clear outstanding ICDC loan.

October 5th Purchased goods worth Ksh 40,000 in cash.

Required

- (i) Record the above transactions into their relevant ledger accounts and balance them off. (8 marks)
- (ii) Extract a trial balance as at 5th October 2021. (4 marks)
- (b) Explain **four** elements of a good transport system. (8 marks).

4. (a) Explain **five** ways in which employees may contribute to the success of a business. (10 marks)
- (b) Explain **five** roles of the World Bank in promoting international trade. (10 marks)
5. (a) Explain **five** limitations of mobile phones in communication. (10 marks)
- (b) Use the diagram given below to answer the questions that follow.



- (i) Explain **four** effects of the shift in demand curve from D_0 to D_1 . (8 marks)
- (ii) State what is represented by the shaded area. (2 marks)

6. (a) The following Trial Balance was extracted from the ledgers of Ushindi Traders on 30th November 2021.

Ushindi Traders
Trial Balance as at 30th November 2021

Details	Dr Ksh	Cr Ksh
Capital		58,300
Sales		200,000
Purchases	111,000	
Salaries	13,300	
Rent Income		40,000
Stock 1/12/2020	12,500	
Insurance	10,500	
Telephone	9,500	
Advertising	14,000	
Premises	100,000	
Furniture	16,000	
Debtors	33,500	
Creditors		53,000
Cash in hand	18,400	
Cash at bank	12,600	
	351,300	351,300

Stock on 30th November 2021 was valued at Ksh 8,500.

Prepare the business Trading, Profit & Loss Account for the year ended 30th November 2021 and a Balance Sheet as at that date. (12 marks)

- (b) Explain **four** reasons that may make Government departments adopt open office layout. (8 marks)