**Name**…………………………………………………………………….**Adm** ………………………….**class**…………………….

**565/1**

**BUSINESS STUDIES**

**Paper 1**

**FORM FOUR MAY 2018**

2 Hours

**MOI HIGH SCHOOL KABARAK**

Instructions to candidate

* Write your name and admission number in the spaces provided
* Answer all the questions
* Check if you have all the 25 questions.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 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 |
|  |  |  |  |  |  |  |  |  |  |

TOTAL SCORE

|  |
| --- |
|  |

1. Identify **four** factors that influence the level of capital of a business enterprise. (4 marks)

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

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

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

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

2. Give **four** features of economic resources (4 marks)

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

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

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

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

3. Indicate with a tick the business environment associated with each of the factors mentioned below. (4 marks)

**FACTOR**  **INTERNAL**  **EXTERNAL**

i) Government policy

ii) Technological environment

iii) Financial resources

iv) Firm structure

4. State **four** reasons why people engage in business activities. (4 marks)

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

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

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

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

5. Outline **four** tools used by the government to influence the quantity of a product supplied in a market. (4 marks)

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

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

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

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

6. Highlight **four** factors that may be used to determine the size of a firm. (4 marks)

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

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

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

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

7. Indicate by writing the word “TRUE” or “FALSE” against the statement describing characteristics for goods and services. (3 marks)

**STATEMENT** **TRUE or FALSE**

a) Goods are inseparable from their producers………………………………………………………………….

b) Services can be standardized in form of size, appearance or quality……………………………

c) Services are experienced not owned………………………………………………………………………………

d) Goods are not always perishable……………………………………………………………………………………

e) Services are highly perishable………………………………………………………………………………………..

f) Goods can change in value overtime……………………………………………………………………………..

8. The central bank is a banker to the government. Outline four banking services it provides to the Kenya government. (4 marks)

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

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

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

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

9. The following are types of advertising: Product advertising, competitive advertising, informative advertising and institutional advertising. In the table below, match each type with its appropriate description. (4 marks)

**DESCRIPTION** **TYPE OF ADVERTISING**

a) Promotes the name of the manufacturer…………………………………………………………………..

b) Persuades the consumers to buy a product…………………………………………………………………

c) Creates awareness about a product ……………………………………………………………………………..

d) Promotes a particular brand of a product…………………………………………………………………….

10 Outline **four** barriers to written communication. (4 marks)

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

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

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

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

11. For each of the following cases, name the motive for holding money. (4 marks)

**MOTIVE**

a) To meet daily bus fare expenses …………………………………………………………………………………

b) To meet unexpected medical emergencies …………………………………………………………………

c) To stock maize when prices fall …………………………………………………………………………………….

d) To meet daily food requirements……………………………………………………………………………………

12. The diagram below shows the current demands for petrol.

D0

price

P0

D0

Q0 quantity

a) What is the effect of an increase in the price of cars on demand for petrol. (2 marks)

b) Draw a new demand curve on the diagram above to show the effect of an increase in price of cars. (2 marks)

13. State **four** reasons why few Kenyans take out life assurance policies. (4 marks)

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

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

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

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

14. For each of the transactions given below, indicate in the appropriate column, the source documents and the book of original entry in which the transaction is recorded. (4 marks)

**Transaction** **Book of original entry** **Source document**

a) Sale of tables on credit ……………………………….. ……………………………….

b) Purchase of stock on credit ……………………………….. ………………………………..

c) Goods returned by a customer ……………………………….. ………………………………..

d) Payment to a creditor ……………………………….. ……………………………….

15. Outline **four** sources of a business idea. (4 marks)

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

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

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

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

16. Outline four characteristics of Money. (4marks)

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

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

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

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

17. The financial period of Buteba Traders ends on 31st December every year. On 31st December 2015 the business had the following assets and capital.

**Item** Sh.

Capital 24,000

Stock of goods 1,500

Debtors 2,000

Machinery 20,000

Cash 4,000

Required: Calculate the total liabilities and prepare a balance sheet as at 31st December 2015. (4 marks)

18. Highlight **four** circumstances under which a country may be classified as underdeveloped. (4 marks)

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

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

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

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

19. Record the following transactions in the cash book of Jerussa Enterprises for the month of January 2011and balance it off.

2011 Jan. 1: Cash in hand sh. 10,000, cash at bank sh. 20,000

Jan. 10: Paid Luke Sh. 8,800 and Joan sh. 11,000 after deducting 12% cash discount in each case by cheque

Jan. 30: Banked all the cash leaving sh. 1,200 in the cash box. (5 marks)

20. State four benefits that consumers get from small scale retailers. (4 marks)

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

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

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

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

21. Give the ledgers in which the following accounts are recorded . (4 marks)

Account Ledger

a)Discounts received …………………………………..

b)Drawings …………………………………….

c)Juma(a supplier) …………………………………….

d)Bank …………………………………….

22. The following balances were extracted from the books of Mwambo wholesalers for the year ended 31st December,2004.

Sales 500,000

Purchases 320,000

Opening stock 80,000

Closing stock 40,000

Debtors 140,000

Creditors 90,000

Calculate a) Margin

b) Current ratio

c) Rate of stock turn over (4 marks)

23. The following statistics refer to a hypothetical economy. Use it to calculate the per capita income using the income approach. (4 marks)

(Ksh/Pop. in millions)

Total profits by entrepreneurs 800,000

Total rent received by landlords 130,000

Total interests earned by financial institutions 40,000

Total salaries paid by employees -50,000

Total population 40

24. Give **four** features that differentiate a public corporation from a public limited company.

(4 marks)

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

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

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

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

25. Highlight **four** undesirable effects of inflation to the Kenyan economy (4 marks)

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

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

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

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