**NAME…………………………….**

**Admission number: ……………**

**Class: ………………………………….**

565/1

**BUSINESS STUDIES**

PAPER 1

TERM 1 2014

**MWAKICAN JOINT EXAM TEAM (MJET)**

**BUSINESS STUDIES**

PAPER 1

2 HOURS

**INSTRUCTIONS TO CANDIDATES**

1. Answer all questions.
2. All answers should be written in the space provided in this booklet.
3. State whether each of the following factors constitute internal environment to a business. (4mk)

|  |  |
| --- | --- |
| factor | Environment |
| 1. Societal beliefs | ………………………………….. |
| 1. Sharehoidies resolution | ………………………………………. |
| 1. National Budget | …………………………………………. |
| 1. Market interest rate | ……………………………………………. |

1. Outline four economic importance’s of natural resources (4mk)
2. ……………………………………………………………………………………………………………………………………..
3. ……………………………………………………………………………………………………………………………………..
4. ………………………………………………………………………………………………………………………………………
5. ………………………………………………………………………………………………………………………………………
6. State four limitation of direct production. (4mk)
7. ……………………………………………………………………………………………………………………………………..
8. ……………………………………………………………………………………………………………………………………..
9. ………………………………………………………………………………………………………………………………………
10. …………………………………………………………………………………………………………………………………..
11. List four disadvantages of an enclosed office. (4mk)
12. ……………………………………………………………………………………………………………………………………..
13. ……………………………………………………………………………………………………………………………………..
14. ………………………………………………………………………………………………………………………………………
15. ………………………………………………………………………………………………………………………………………
16. Given below is a list of features which are true for either a public limited company or a co-operative society. Indicate in the space provided which of the features are true for a public company and c0-operative society. (4mk)

|  |  |
| --- | --- |
| **FEATURE** | **Public ltd co/co-operative society** |
| 1. Can advertise its shares | …………………………………………………………….. |
| 1. Does not aim at profit in maximization | ……………………………………………………………….. |
| 1. Elect a management committee | ……………………………………………………………………. |
| 1. One man one vote | …………………………………………………………………………… |
| 1. Promotes co-operation | …………………………………………………………………………. |
| 1. Serves members only | …………………………………………………………………………… |
| 1. Voting right dependent on the number of shares | ………………………………………………………………………… |

1. Outline four disadvantages of using a telephone to communicate. (4mk)
2. ……………………………………………………………………………………………………………………………………..
3. ……………………………………………………………………………………………………………………………………..
4. ………………………………………………………………………………………………………………………………………
5. ………………………………………………………………………………………………………………………………………
6. Distinguish between
7. Joint demand and derived demand.(2mk)

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. Excess Demand and Excess supply.(2mk)

…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. Give four reasons why banter trade is not popular in the current times. (4mk)
2. ………………………………………………………………………………………………………………
3. ………………………………………………………………………………………………………………
4. ……………………………………………………………………………………………………………….
5. ………………………………………………………………………………………………………………
6. The items in the table given below are either injections into or withdrawals from the circular flow of income in an economy. Indicate in the spaces provided whether the item is an injection or a with drawal.

|  |  |
| --- | --- |
| **Item** | **Injection/ withdrawal** |
| 1. Export earning | …………………………………………………………. |
| 1. Private investments | ………………………………………………………… |
| 1. Savings | …………………………………………………………. |
| 1. Taxes | ……………………………………………………………… |

1. Account for the success of multiple stores compared with single shops. (4mk)
2. ……………………………………………………………………………………………………………………………………..
3. ……………………………………………………………………………………………………………………………………..
4. ………………………………………………………………………………………………………………………………………
5. ………………………………………………………………………………………………………………………………………
6. Outline four benefits that consumers get from warehousing. (4mk)
7. ……………………………………………………………………………………………………………………………………..
8. ……………………………………………………………………………………………………………………………………..
9. ………………………………………………………………………………………………………………………………………
10. ………………………………………………………………………………………………………………………………………
11. Fill in the blank spaces .

|  |  |  |  |
| --- | --- | --- | --- |
| BUSINESS | ASSETS | CAPITAL | LIABILITY |
| A | 120,345 | (M) | 67,890 |
| B | (N) | 67,890 | 54,321 |
| C | 9,101,112 | 1,314,150 | (O) |
| D | 45,670 | 39,001 | (P) |

M………………………………………………….

N……………………………………………………..

O…………………………………………………..

P……………………………………………………

1. Highlight four ways in which the government can create conditions that will be favorable for business development and prosperity .(4mk)
2. …………………………………………………………………………………………………………………………………………
3. ………………………………………………………………………………………………………………………………………….
4. …………………………………………………………………………………………………………………………………………
5. ……………………………………………………………………………………………………………………………………
6. For each of the following transaction indicate with a tick in the space provided whether it will increase, decrease or have no effects on the balance sheet totals. (4mk)

|  |  |
| --- | --- |
| **TRANSACTION** | **EFFECTS ON THE BALANCE SHEET TOTALS** |
| Investing move cash into the business |  |
| Paying creditors in cash |  |
| Buying a piece of furniture in cash |  |
| Paying creditors using money from private sources |  |

1. State four ways that a traders may provided after sales services to his customer .(4mk)
2. ……………………………………………………………………………………………………………………………………..
3. ……………………………………………………………………………………………………………………………………..
4. ………………………………………………………………………………………………………………………………………
5. ………………………………………………………………………………………………………………………………………
6. Outline four negative implication populations to a country’s economy. (4mk)
7. ……………………………………………………………………………………………………………………………………..
8. ……………………………………………………………………………………………………………………………………..
9. ………………………………………………………………………………………………………………………………………
10. ……………………………………………………………………………………………………………………………………
11. The following is an extract of cashbook.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| date | particulars | cash | bank | date | particulars | Cash | Bank |
| May 2 | Balance | W |  | May 6 | Balance |  | 60,000 |
| 12 | Sales | 20,000 |  | 19 | Purchases |  | 30,000 |
| 20 | Were |  | 50,000 | 22 | Rent | 6,000 |  |
| 28 | sales |  | 120,000 |  | Bal.cld | Y | X |
|  |  |  | 170,000 |  |  | 60,000 | z |

Determine the figures represented by w, x, y& z .

1. W………………………………………..
2. X……………………………………….
3. Y…………………………………….
4. Z………………………………….
5. List four sources of monopoly power. (4mk)
6. ……………………………………………………………………………………………………………………………………..
7. ……………………………………………………………………………………………………………………………………..
8. ………………………………………………………………………………………………………………………………………
9. ………………………………………………………………………………………………………………………………………
10. Give four reasons why it would be advisable for lucia to take an endowment policy instead of a whole life policy. (4mk)
11. ……………………………………………………………………………………………………………………………………..
12. ……………………………………………………………………………………………………………………………………..
13. ………………………………………………………………………………………………………………………………………
14. ………………………………………………………………………………………………………………………………………
15. State the book of original entry used in recording each of the following transactions in Kenya traders (4mk)

|  |  |
| --- | --- |
| **TRANSACTION** | **BOOK OF ORIGINAL ENTRY** |
| Kweyu returned goods worth sh.9,500 to tetu .traders |  |
| Withdrew ksh 20,000 from bank for personal use. |  |
| Sold goods on credit to wanjala for 20,000. |  |
| Bought a motor van worth ksh 200,000 on credit. |  |

1. The following information relates to kinango enterprises for the year ended 30th June 2013.

|  |  |
| --- | --- |
| Sales | 480,000 |
| Stock( 01/07/04) | 60,000 |
| Stock(30/06/04) | 36,000 |
| margin | 25% |

Determine

1. Gross profit ……………………………………………….
2. Cost of sales……………………………………………….
3. Net purchases……………………………………………………………
4. Rate of stock turnover………………………………………………. (4mk)
5. Give four benefits a businessman may get by keeping money in a fixed deposit account. (4mk)
6. ……………………………………………………………………………………………………………………………………..
7. ……………………………………………………………………………………………………………………………………..
8. ………………………………………………………………………………………………………………………………………
9. ………………………………………………………………………………………………………………………………………
10. Baquba Enterprise had opening and closing balances of sh 250,000 and sh 406,000 respectively in the year 2004.during the year, the business amounting to sh 68,000. If the profit for the year was sh 180, 000, determine the drawing for the year. (4mk)
11. Mention four circumstances that may make a firm relocate from A to town B. (4mk)
12. ……………………………………………………………………………………………………………………………………..
13. ……………………………………………………………………………………………………………………………………..
14. ………………………………………………………………………………………………………………………………………
15. ………………………………………………………………………………………………………………………………………
16. List examples of Direct taxes.
17. ……………………………………………………………………………………………………………………………………..
18. ……………………………………………………………………………………………………………………………………..
19. ………………………………………………………………………………………………………………………………………
20. ……………………………………………………………………………………………………………………………

THE END

565/1MS

BUSINESS STUDIES

PAPER 1

TERM 1 2014

MWAKICAN JOINT EXAM TEAM (MJET)

BUSINESS STUDIES

PAPER I

MARKING SCHEME

(CONFIDENTIAL)

External

Internal

External

External 4x 1 =4mks

1. (i) They are a source of energy.

(ii) They provide raw materials for industry.

(iii) Create employment when being exploited

(iv) Bring foreign exchange to the country when being exploited.

(v) Provide settlement for both men and animals.

(vi) Provide food. (Any 4 x 1=4mks)

1. (i) Does not allow specialization.

(ii) Promotes individualism

(iii) Does not encourage invention and innovation since it does not make use of modern

technology.

(Iv) One waste a lot of time moving from one activity to another.

(v) Does not provide surplus for selling in the market.

(vi) Goods produced are of low quality.

(vii) limited variety of goods and services. Any 4 x 1 =4mks

1. –Expensive to construct.

-High maintenance cost.

-A lot of space is wasted by partitioning.

-Less flexible in terms of redesigning and re-organizing the layout/difficult to rearrange.

-Wastage of time by workers when moving from one office to another.

-Underutilization of equipment since there is no sharing/misuse of office equipment.

-Supervision becomes difficult.

-Promotes laxity among workers.

-Corrupt practices can easily take place in such offices.

-May encourage immorality in such offices.

Any 4 x 1 =4mks.

Pg 2

5. (I) Public ltd co.

(ii) Co-operative society

(iii) Co-operative society

(iv) Co-operative society

(v) Public ltd co.

(vi) Co-operative society

(vii) Co-operative society

(viii) Public ltd co. ½x 8 =4mks.

1. –Not suitable for passing confidential messages.

-Cannot be used for future reference.

-Expensive over long distances for landlines.

-Expensive when the conversation is long.

-Lack of clarity especially when the sender does not have enough airtime.

-Gives no room for details.

1. **Joint Demand** –Arises when 2 or more products are demanded at the same time because they are used together. e.g petro and car, pen and ink,

**Derived Demand**- Arises as a direct result of increase in demand for another commodity. e.g Demand for hen as a result of increased dd for eggs.

**Excess Demand** –Quantities dd by customers over and above the Quantities supplied in the market.

**Excess Supply**-Quantities SS over and above quantities the customers are willing and able to buy.

1. -Difficult to store perishable goods.

-Lack of double coincidence of wants.

-Difficult to transport goods around looking for buyers.

-Lack of standard measure of value.

-Difficult to divide some commodities into small units without loss of value.

Any 4x 1=4mks

Pg 3

1. Injection

Injection

Withdrawal

Withdrawal

1. –Have a wide capital base

-Cover a wide market.

-Enjoy economies of scale since they buy stock in large scale and get favourable discounts.

-Can move stock from where demand is low to where it is high 4 x 1 =4mks.

1. –consumer is assured of steady supply of goods.

-Assumed of quality goods.

-Assumed of stable prices.

-Able to get goods in convenient quantities.

-Able to get a variety of goods.

-Choice is made easy since the consumer can choose the right goods when they are branded, blended etc. Any 4x1=4mks

1. M sh. 52,455

N sh.12, 221

O sh.7,786,962

P 6,669 4x1=4mks

1. Provide security

-Political stability

-Favourable legislation

-Provide basic infrastructure

-Providing accessible credit finance.

-Giving subsidies

-Trade promotion campaigns

-Development of social amenities.

-Facilitate the use of appropriate technology

-Preservation &conservation of natural resources & environment.

-Simplifying procedures in starting &running business.

-Ensure good governance. (Any 4x1=4mks.

Pg 4

1. i. increase

ii. Decrease

iii. no effect

iv. no effect

1. –Transport goods to buyers premises.

-Installation of the equipment.

-Technical advice on how to handle the equipment.

-Provision of spare parts.

-Periodic servicing/greasing/cleaning

-Giving guarantees and warranties. (Any 4x1=4mks

1. –Underutilization of a country’s resources.

-Imbalance in population distribution.

-Security of the country may be jeopardized.

-low demand for goods & services.

-low standards of living due to under exploitation of resources.

-limited specialization leading to low quality goods. (Any 4x 1=4mks.

1. W sh.40,000

X sh.80, 000

Y sh.54, 000

Z sh.170, 000

1. –Control of a strategic major factor of production.

-Legal protection through patent & copy rights.

-Merging & Amalgamation of firms.

-Firm has secretive production method/technique.

-Firms enjoy substantial/greater economies of scale.

-State set up monopoly to shut our wasteful competition

-Market is best served by one firm. Any 4 x 1= 4mks.

1. -Premiums are paid for a specified period rather than until death for whole life policy.

-Surrender value is higher for endowment policy than whole life policy.

-The assured benefits from the fund in endowment while in whole life the assured does not benefit personally.

-Endowment policy can act as a security for a loan while the whole life policy cannot

-Endowment policy is a saving plan for future investment. (Any 4 x 1=4mks.

Pg 5

1. (i) purchases returns

(ii) Cash Payment

(iii) Sales Journal

(iv) General Journal

1. a) GP=Margin x sales

=0.25 x 480000

=120,000 (Imk)

(b) Cost of Sales = sales – Gross Profit

480,000 – 120000=360000 (1mk)

(iii) Net Purechase =Cost of sales – opening stock + closing stock.

=360,000-60,000+ 36000=sh.336,000 (1mk)

(iv) Rate of Stock Turnover=Cost of sales

Av.stock.

Av.stock = opening stock + closing stock

2

=60,000 + 36000 =48 000

2

ROSTO = 360 000 (1mk)

48 000

=7.5 times 1 x 4 =4mks

1. –Interest earned is high.

-Minimises chances of mis-using money.

-Can be used as a collateral for loan.

-It is an investment for money with no immediate use. 4x 1 =4mks.

1. Drawings =Opening capital –closing capital + Additional investment + profits.

250,000 – 406000 + 68000 + 180000 = sh.640,000

Pg 6

1. Better infrastructure in town B

Better security in town B

To get larger space for expansion

To be near auxiliary services

To comply with government policy

To be near source of raw materials.

Better market in town B Any 4 x 1 =4mks.

1. Income tax

Corporation tax

Capital gain tax

Estate/ Death duty

Capital transfer tax Any 4 X 1=4MKS.