**GATITU MIXED SECONDARY SCHOOL**

Name ……………………………………………………………………………………..……… Index No…………………………

**BUSINESS STUDIES 565/1**

**PAPER 1**

**TIME: 2HRS.**

**INSTRUCTIONS TO CANDIDATES**

Answer **ALL** the questions in the spaces provided **below** each question.

1. Outline four circumstances that can lead to creation of an oligopoly. ( 4 marks)

a)……………………………………………………………………………………………b)………………………………………………………………………………………

c)……………………………………………………………………………………………d)……………………………………………………………………………………………………………………………………………………………………………………………

 2 . Highlight four factors that may influence the level of national income of a country (4 marks)

i)……………………………………………………………………………………………

iii)…………………………………………………………………………………………

iii)…………………………………………………………………………………………

iv)………………………………………………………………………………………

3. The table below shows the changes in population size in a certain country between year 2010 and 2013

|  |  |
| --- | --- |
| Year | Total population (million) |
| 2010 | 50 |
| 2011 | 37 |
| 2012 | 35 |
| 2013 | 34 |

 State four factors that may have contributed towards the population trend (4marks)

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

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

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

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

1. Outline four factors that the government should consider when deciding on a good tax system(4marks)

i)……………………………………………………………………………………………

ii)……………………………………………………………………………………………

iii)…………………………………………………………………………………………

iv)…………………………………………………………………………………………

5. Unemployment is one of the most problems facing our country today. Explain four measures that can be taken by the government of Kenya to solve unemployment problem. (4 marks)

i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)…………………………………………………………………………………………………

6. Outline four ways in which office layout may influence performance of workers. (4marks)

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

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

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

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

7. Highlight four reasons why a firm would prefer trade credit to a bank loan (4 marks)

i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………8. Outline the meaning of the following terms as used in accounting (4 marks)

a) Carriage inwards ………………………………………………………………………………………………………………………………………………………………………………………………

b) Working capital ………………………………………………………………………………………………………………………………………………………………………………………………………………

c) Rate of stock turn over …………………………………………………………………………………………………………………………………………………………………………………………………………………………..

d) Capital employed

………………………………………………………………………………………………

9.Omoro shop sells stock at a markup of 331/3 %. Sales for the year to December 2011 were shs 1,200,000. Other business related expenses amounted to 20% of sales. (4marks)

Calculate

 i) Gross profit

 ii) Net profit

10. Highlight four essential of an effective filing system (4marks)

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

11. On 1st May 2011 Joseph had a capital balance of sh 900,000. During the year ending 31st June 2012 he had introduced sh 230,000 cash into the business from a private source. Monthly drawing were sh 4,000. On 31st June 2012,he found the capital balance was sh. 1,040,000. Determine profit or loss for the year. (4marks) i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)………………………………………………………………………………………………………………………………………………………………………………………………………

12. For each of the following transactions name the account to be debited or credited (4marks)

|  |  |  |
| --- | --- | --- |
| Transactions | Account to debit | Account to credit |
| Converted personal furniture to business use |  |  |
| A cheque drawn to pay son’s fees |  |  |
| Cash introduced in to the business from personal sources |  |  |
| Bought goods on credit from john’s shop |  |  |

 13. Highlight four uses of double column cash book (4marks)

i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)……………………………………………………………………………………………………………………………………………………………………………………………………

14. In the spaces provided below, state whether each of the following transactions will increase, decrease or have no effect on the balance of capital account. (4marks)

|  |  |
| --- | --- |
| Transaction | Effect on capital |
| 1. Owner invested more money in to the business
 |  |
| 1. Owner withdrew stock for personal use
 |  |
| 1. Paid outstanding wages by cheque
 |  |
| 1. Purchased stock on credit
 |  |

15. State four errors that cannot cause disagreement in the trial balance (4marks).

i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)………………………………………………………………………………………………….

16. Highlight four circumstances under which vertical line of communication is necessary (4marks).

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

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

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

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

17. Outline four demerits of government involvement in business activities (4marks)

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

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

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

d)……………………………………………………………………………………………………18. State four methods through which firms in a monopolistic market differentiate their products (4 marks)

i)…………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)…………………………………………………………………………………………………

19. Outline four reasons why many Kenyans do not operate bank accounts (4marks)

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

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

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

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

20. Outline four differences between property insurance and life insurance (4 marks)

|  |  |
| --- | --- |
|  Property insurance | Life insurance |
| i)ii)iii)iv) | i)ii)iii)iv) |

21. Highlight four factors that make mail order stores unpopular in Kenya (4 marks)

i)……………………………………………………………………………………………………

ii)……………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)………………………………………………………………………………………………

22. Show in the form of a flow chart four channels of distribution from the producer to the consumer in local trade (4marks)

23. Outline four differences between a public limited company and a public corporation (4marks)

|  |  |
| --- | --- |
| Public limited company | Public corporation |
| I)ii)iii)iv) | i) ii)iii)iv) |

24. Highlight four macro-environment factors that might adversely affect the performance of a business (4 marks)

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

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

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

d)……………………………………………………………………………………

25. Highlight four clauses contained in memorandum of association (4 marks)

i)……………………………………………………………………………………………………

ii)…………………………………………………………………………………………………

iii)…………………………………………………………………………………………………

iv)………………………………………………………………………………………………