



565/1 - BUSINESS STUDIES - Paper 1

SEPT.2018 PAPER 2

Name Index Number

Candidate's Signature Date

Instructions to candidates

- (a) Write your name and index number in the spaces provided above.
- (b) Sign and write the date of examination in the spaces provided above.
- (c) Answer **all** the questions.
- (d) All answers should be written in the spaces provided in this booklet.
- (e) **This paper consists of 12 printed pages.**
- (f) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (g) **Candidates should answer the questions in English.**

For Examiner's Use Only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

TOTAL MARKS

1.State four features of land as a factor of production.

(4 mks)

i)

ii)

iii)

iv)

2.State two items in the circular flow o income that constitute:

(4 mks)

a)Injection.

i)

ii)

b)Withdrawals.

i)

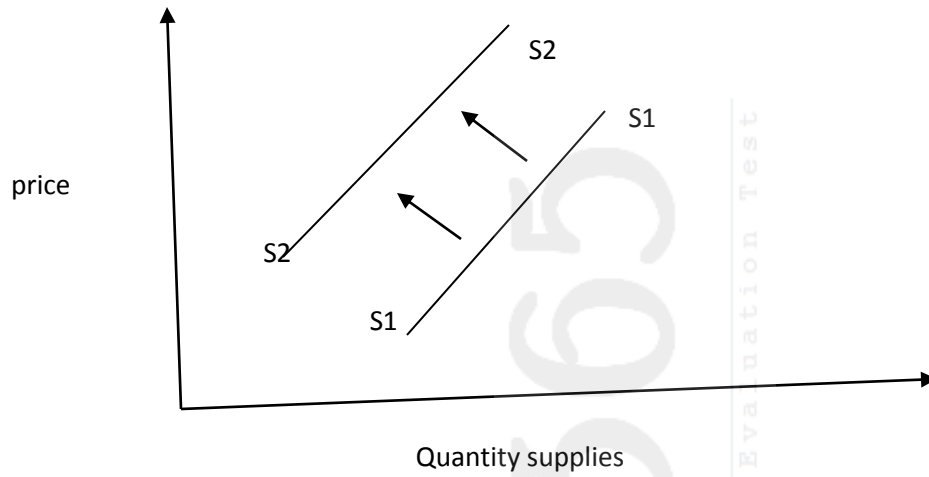
ii)

3.Give four differences between private warehouse and a public warehouse.

(4 mks)

Private warehouse	Public warehouse
i)	
ii)	
iii)	
iv)	

4.



State four factors that may have caused the change shown in the diagram above.

(4mks)

- i)
- ii)
- iii)
- iv)

5.Commerce is the study of trade and aids to trade. List four aids to trade.

(4 mks)

- i)
- ii)
- iii)
- iv)

6.Highlight four services offered to manufacturers by wholesalers.

(4 mks)

- i)
- ii)
- iii)
- iv)

7.Highlight four characteristics of underdevelopment.

(4mks)

- i)
- ii)
- iii)
- iv)

8.John a businessman wants to open an account with equity bank. Give four reasons why you should advice him to open a current account.

(4 mks)

- i)
- ii)
- iii)
- iv)

9.The following balances were extracted from the books of Kaguru traders on 30th June 2016.

Fixed assets	shs 300,000
Current assets	shs 123,700
Creditors	shs 84,500
5 year loan	shs 125,000

Determine the networth of the business as at 30th June 2016.

(4 mks)

10. The following cash A/C with mistakes was observed in a certain business. Identify the mistakes and prepare a correct cash A/C (4 mks)

CR		CASH A/C		DR	
Jan 1	capital	100,000	Jan 15	commission received	110,000
Jan 4	purchases	50,000	Jan 16	drawings	10,000
Jan 30	Rent paid	40,000	Jan 23	General expenses	90,000
Jan 31	Bal d	20,000			

11. The following transactions took place in a business during the month of February 2017.

1 Feb Bought goods on credit worth sh 90,000 from Nyaga

5 Feb Received an invoice from Mukami for shs 40,000

10 Feb Bought goods from Moko worth shs 20,000 and payment was to be made in March 2017.

Prepare the relevant book of original entry for the business.

(4 mks)

12.Highlight four methods that the government uses to protect consumers.

(4 mks)

- i)
- ii)
- iii)
- iv)

13.Outline the circumstances under which each of the following characteristics of human wants may be observed.

(4 mks)

a)Wants are universal

b)Wants are complementally.

14. The government spends money on the following items. Indicate the category of government expenditure each item relates to: (4 mks)

Item

a) Payment to elderly citizens

b) Famine relief food

c) Constructing of roads

d) Servicing public debt

Type of government expenditure

_____.

_____.

_____.

_____.

15. State the meaning of the following principals of insurance.

(4 mks)

a) Subrogation

b) Contribution

c) Insurable interest

d) Indemnity

16. Outline four types of resources that are important in a business.

(4 mks)

i)

ii)

iii)

iv)

17. Give three reasons why celebrities are commonly used in advertising of products.

(3 mks)

i)

- ii)
- iii)
- iv)

18. Highlight four factors that may encourage entrepreneurship among young people in Kenya. (4 mks)

- i)
- ii)
- iii)
- iv)

19. State four features of a monopoly market (4 mks)

- i)
- ii)
- iii)
- iv)

20. Outline four benefits that a country gets by getting involved in international trade (4 mks)

- i)
- ii)
- iii)
- iv)

21. Highlight four causes of unemployment in Kenya. (4 mks)

- i)
- ii)

iii)

iv)

22. The following balances were got from the books of Njuki Traders on 1st January 2017.

Furniture	sh 50,000
Bank overdraft	sh 5,000
Stock	sh 5,000
Debtors	sh 7,000
Cash	sh 9,000
Capital	sh 66,000

The following transactions took place during the month of January .

- Paid half the bank overdraft by cash.
- Withdrew goods worth shs 1000 for personal use
- Received shs 3000 cash from debtors.
- Sold a piece of furniture worth shs 10,000 on credit.

Prepare Njuki Traders balance sheet at the end of January 2017.

23. Ebenezer Traders had the following balances on 1st July 2013. Cash shs 2500

Bank shs 500(cr)

July 2: Paid wages in cash shs 300

July 3: Received a chequed of sh 4500 from James having allowed a 10% cash discount.

July 4: Settled Peters A/c of shs 900 in cash

July 10: Banked all the cash except shs 200

Required: Prepare Ebenezer traders cash book fully balanced. (4 mks)

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24. The following information was extracted from the books of Kawira Traders.

Rate of turn over	3 times.
Mark-up	20%
Opening stock	shs 160,000
Closing stock	shs 200,000

Calculate:

i) Gross profit (3 mks)

ii) Sales (1 mk)

25. Highlight four channels that can be used by a manufacturer to distribute goods in home trade. (4mks)

i)

ii)

iii)

iv)