



## 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** reasons why business exist in the society. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

2. From the following list of items, classify them to either internal or external environment by ticking (✓) (4 mks)

	Internal	External
(i) Employees		
(ii) Inflation		
(iii) Technology applied		
(iv) Invested funds		
(v) Cultural factors		
(vi) Tools		
(vii) Entrepreneur		
(viii) Political factors		

3. Identify **four** qualities of a good office messenger. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

4. Outline **four** circumstances under which an insurance company would refuse to compensate an insured person. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

5. Outline **four** ways in which a government may regulate business in a country. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

6. Outline **four** reasons a consumer may take to satisfy unlimited wants. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
7. Many parastatals in Kenya have been found to be inefficient in their operations. State four measures that can be taken to improve their efficiency. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
8. Outline **four** factors that may lead to the success of business. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
9. People hold money for various reasons. Identify the motive for holding money in each of the following cases (4 mks)
- (i) To meet hospital expenses.....
- (ii) To pay for daily milk from Mama Maziwa.....
- (iii) To counteract future decline in prize.....
- (iv) To meet routine transport expenses.....
10. State ways in which society benefits from indirect production. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
11. Give disadvantages of long chain distribution of goods to buyers. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

12. Highlight reasons why customers may prefer to buy on credit purchase rather than on hire purchase. ( 4 mks)

(i) .....

(ii) .....

(iii) .....

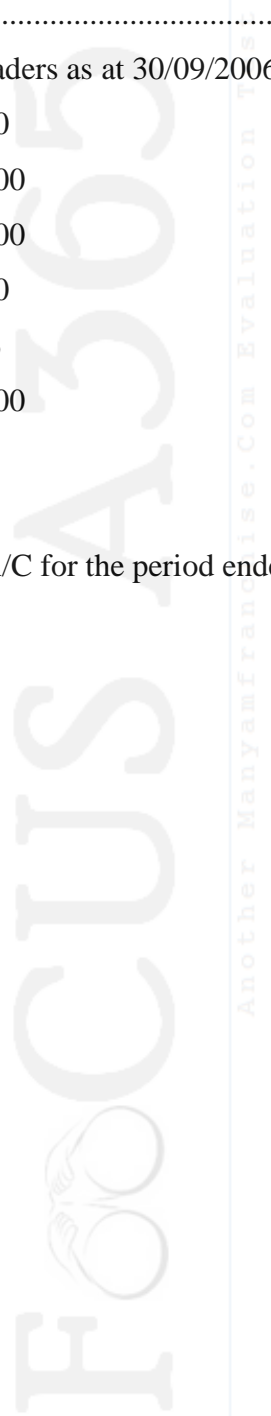
(iv) .....

13. The following relate to Ekerubo traders as at 30/09/2006.

Stock 1 -10-05	7,500
Purchases	65,000
Sales	85,000
Return inwards	1,000
Mark-up	25 %
General expenses	12,200

**Required:**

Prepare a trading, profit and loss A/C for the period ended 30-9-2006 (4 mks)



14. Many changes have taken place in the transport sector. Identify any four of such changes. (4mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

15. Mali had the following assets and liabilities in 1<sup>st</sup> January 2008.

- Premises 800,000
- Debtors 40,000
- Bank 80,000
- Creditors 70,000
- Cash 60,000
- Stock 62,000
- Bank loan 380,000

**Required:**

Prepare opening journal entries to record the above information.

Date	Details	Dr	Cr

16. State reasons why it's suitable to locate bonded warehouse at the point of entry. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
17. State the benefits that an investor could derive from a stock exchange market. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
18. The condition given below describes the various market structures. Write the correct market structure against each of the conditions in the spaces provided.

Condition	Market Structure
(a)Market structure determiner price for the product	
(b)There is free entry and exit.	
(c)Market structure with many sellers of different product.	
(d)Product involved is homogeneous	

19. State **four** essentials of effective communication. (4 mks)
- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....
20. The following balance sheet relates to Jubilee traders.

**Jubilee Traders**  
**Balance sheet**

**As at 31<sup>st</sup> March 2011**

Equipment	45,000	Capital	50,000
Debtors	20,000	Creditors	10,000
Cash	<u>25,000</u>	Bank overdraft	<u>30,000</u>
	<u>90,000</u>		<u>90,000</u>

The following transactions took place during the month of April 2011.

- (i) Received cash Kshs 15,000 from debtors
- (ii) Paid creditors Kshs 10,000 cash
- (iii) Bought office furniture for Kshs 20,000 cash.

Prepare a balance sheet as at 30th April 2011.

(4 mks)

21. The following table shows the quantity demanded for fish by two consumers; A and B.

Price for fish	Quantity of fish demanded by A per week	Quantity of fish demanded by B per week
20	1	5
10	2	7
5	3	9
2	4	11

State **four** possible reasons why B demands more fish at every price that A.

(4 mks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

22. Outline **four** factors that an entrepreneur will consider when determining the most viable business opportunity.

(4 mks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

23. On 1st January 2007, Nancy Traders had shs 8000 in cash and sh. 60,000 at bank. During the month, the following transactions took place.

2005

January 18 : Paid Shamisi Traders shs 17,000 by cheque less 2000 cash discount

“ 20 : Sold goods for sh.24,000 cash less by 5 % discount.

“ 29: Banked all the cash except 6,200.

**Required:**

Enter the above transactions in a three column cash book and balance it off. (5 mks)

24. Identify **four** major classes of taxation system. (4 mks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....

25. State **four** external diseconomies of scale that a firm may get. (4 mks)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....