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

Candidates sign…………………………………….. Date………………………….………………

565/1

**BUSINESS STUDIES**

Paper 1

July/August 2016

**Time: 2 HOURS**

***Kenya Certificate of Secondary Education (K.C.S.E.)***

**Business studies**

Paper 1

July/August 2016

**Time: 2 Hours**

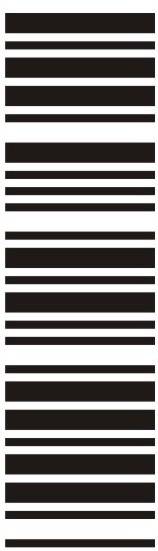
**INSTRUCTIONS TO CANDIDATES**

* *Write* ***your name*** *and* ***Index Number*** *and* ***School*** *in the spaces provided above.*
* *This paper consists of 25 questions.*
* *Answer* ***all*** *the questions*
* *All answers* ***must*** *be written in the spaces provided in this booklet.*

***For Examiner’s Use Only:***

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| QUESTION | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| MARKS |  |  |  |  |  |  |  |  |  |  |  |  |  | **TOTAL MARKS** |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| QUESTION | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| MARKS |  |  |  |  |  |  |  |  |  |  |  |



*This paper consists of 7 printed pages. Candidates should check to ascertain that all papers are printed as indicated and that no questions are missing*

1. State **four** features of the basic human wants (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

2. List **four** components of business studies (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

3. Outline **four** features of a bill of exchange (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

4. Give **four** benefits of external economies of scale (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

5. The following information relates to Jubilee enterprises as at 31/12/2012

Fixed assets 400,000

Stock 120,000

Current Liabilities 60,000

Net Profit 100,000

***Required,***

Calculate,

1. Rate of return on capital employed
2. Current Ratio (4mrks)

6. State **four** features that makes a warehouse ineffective

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

7. Outline **four** sources of monopoly power (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

8. In the absence of a partnership deed, partners will have to adapt to the partnership Act of 1963.

State the provisions of this Act. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

9. Highlight any **four** problem associated with railway transport (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

10. Highlight **four** reasons why the government levy taxes. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

11. Indicate in the table the type of advertisement described. (4mrks)

**Description Type of advertisement**

1. Used to promote a company name / (i)

image

1. Where a product is advertised using (ii)

a popular person

1. Seeks to promote the sales of a new (iii)

Or existing product

1. Where the emphasis is to give full (iv)

Information about a product.

12. Outline **four** factors to consider when introducing a new products into the market. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

13. State **four** negative effects of economic development. (4mks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

14. The information given below relates to Wasonga General stores for the month ended 31/1/2013.

**Shs.**

Sales 950,000

Purchase 640,000

Opening 70,000

Closing stock 68,000

Return inwards 150,000

Return outwards 140,000

During the month of February the proprietor took goods costing shs.36,500 for personal use.

***Prepare trading account for the month.*** (5mrks)

15 With the aid of a diagram, show the effect of an increase in supply on equilibrium price and equilibrium quantity (4mrks)

16. Outline **three** channels of distributing locally manufactured product (3mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

17. State four rewards of labour as a factor of production (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

18. Classify each of the following as either personal, impersonal or private accounts and indicate with a (√) whether their balance are either debit or credit balances. (4mrks)

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Type of account | Dr | Cr |
| Capital  Creditors  Wages  Cash in hand |  |  |  |

19. State **four** factors determining the amount of money held for precautionary motives (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

20. State **four** short comings of consumer associations in Kenya today. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

21. The following information relates to Mata traders for the year ended 31/12/2012

**Item Shs.**

Stock 2,500

Capital 99,600

Debtors 30,620

Creditors 25,000

Moto vehicle 80,000

Cash 12,250

Accrued rent 770

***Required,***

Prepare a dully balanced trial balance (4mrks)

22. State the effect of the following business transactions on the balance sheet totals (4mrks)

|  |  |  |  |
| --- | --- | --- | --- |
| **Transaction** | **Effect on balance sheet totals** | | |
| **+** | **-** | **No effect** |
| i) Bought stock on credit |  |  |  |
| ii) Returned goods to suppliers |  |  |  |
| iii) Paid rent by cash |  |  |  |
| iv) Sold goods on credit |  |  |  |

23. List **four** distinctive feature of a tied shop. (4mks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

24. Highlight **four** factors that affect the circular flow of national income. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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

25. State **four** measures that can be taken by the government to improve the volume of exports. (4mrks)

i) ……………………………………………………………………………………………………….

ii) ……………………………………………………………………………………………………….

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

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