**FORM FOUR BUSINESS STUDIES**

**PAPER 1**

**561/1**

**MARCH /APRIL 2017**

**TIME : 2 HOURS**

Instructions: answer all questions on the spaces provided

1. Outline four reasons for the popularity of hypermarket to shoppers in Kenya today (4mks)
2. Highlight four ways through which ban entrepreneur can improve the internal environment of his/her business (4mks)
3. Mention four circumstances under which a business would use personal selling as a method of product promotion (4mks)
4. Identify four economies of scale experienced by a firm operating on large scale (4mks)
5. State four roles of warehousing in promotion of trade (4mks)
6. The following information was extracted from the books of Karurumo traders for the month of September 2010.

|  |  |
| --- | --- |
| September 1: | Balance b/d cash 50,000 Bank 60,000 (cr  |
|  4: | Paid Wanja by cheque shs 19,500 in full settlement of her account of sh 20,000 |
|  15: | Received a cheque for shs 84,600 from Munene stores after deducting 6% cash discount |
|  20: | Took all the money to the bank leaving only shs 5000 |

Required: prepare a three column cash bank duly balance (5mks)

1. The following information was obtained from Ngoire traders

Capital 1 January 2015 shs 900,000

Capital 31 December 2015 shs 450,000

Net loss for the year shs 150,000

Additional investments shs 60,000

Calculate the drawings made during the year (4mks)

1. Identify the source document that can be used in recording each of the following transaction (4mks)

|  |  |
| --- | --- |
| Transaction  | Source document |
| To correct an undercharge in an invoiceTo pay casual workers in an organizationTo show that a credit transaction has taken place To show that a cash transaction has taken place |  |

1. Complete the table below by indicating the account to be debited and account to be credited (4mks)

|  |  |  |
| --- | --- | --- |
| Transaction  | Dr | Cr |
| 1. Started business with shs 120,000 in cash
2. Bought stock with shs 80,000 on credit from shah limited
3. Returned goods to shah limited worth shs 6000
4. Withdrew shs 9000 cash for personal use
 |  |  |

1. Using the accounting equation fill in the missing figures in the table below (3mks)

|  |  |  |
| --- | --- | --- |
| Liabilities  | Assets | capital |
| 45820 |  | 28,700 |
| 43,737 | 211,00 |  |
|  | 148,390 | 108,930 |

1. Enumerate four circumstances under which a firm may acquire monopoly power (4mks)
2. State four benefits of indirect production to a country (4mks)
3. List the type of human want one would be satisfying in each of the following activities (4mks)

Activity Type of want

1. Tourist going to Hawai
2. Feeding street children
3. Designing suits for the president
4. Getting involved in athletics marathon
5. Outline four ways in which commercial attaches promote trade in Kenya (4mks)
6. The graph below show the rate of population growth of given country



Mention four effects of the trend of population growth between S and T (4mks)

1. State four advantages of operating a partnership business (4mks)
2. The following diagram shows a shift in demand curve



Identify four factors that will lead to the above shift from D1D1 to D2D2(4mks)

1. Mention four circumstances under which an insurance contract can be terminated (4mks)
2. Enumerate four merits of an open plan office layout (4mk)
3. The table below gives description of area of study in business studies. Identify the area of study that best matches each of the description given below (4mks)

|  |  |
| --- | --- |
| Description  | Area of study |
| 1. Making the best use of the scarce resources
 |  |
| 1. Deals with trade and aids to trade
 |  |
| 1. Maintaining proper business financial records
 |  |
| 1. Activities involved in the process of identifying a viable business activity
 |  |
|  |  |

1. Highlight four reasons why a business should observe ethical practices while conducting its activity (4mks)
2. Outline four disadvantages of a long chain of distribution to a buyer (4mks)
3. In calculation of natural income one of the methods uses the formulae Y=C+1+G+(X-M)
4. Identify the method used (1mk)
5. Write the following abbreviations in full (3mks)
6. C
7. G
8. (X-M)
9. The following information was obtained from the books of Kasu traders on 31/12/2015

|  |  |
| --- | --- |
| Item  | Amount (shs) |
| Cash | 560,000 |
| Stock | 700,000 |
| Bank overdraft | 80,000 |
| Creditors | 200,000 |
| 10 years bank loan | 500,000 |
| Debtors | 440,000 |
| 8 years HFCK loan | 400,000 |

Required: calculate

1. Working capital (2mks)
2. Borrowed capital (2mks)

25. Mary sold 10 bags of maize at shs 3000 each to Peter, Peter was allowed a trade discount of 10% and cash discount of 31% if payment was made within a month.

Calculate the total money Peter paid if payment was made within a week. (4mks)