

29.26

BUSINESS STUDIES



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29.26.1 Business Studies Paper 1 (565/1)

- 1 State **four** factors that may affect the geographical mobility of labour. (4 marks)
- 2 Outline **four** ways in which Commercial Attaches may promote trade between their country and other countries. (4 marks)
- 3 Amboseli Enterprises has been spending heavily on promotion for its products though its sales have consistently declined. Outline **four** measures that the company may take to reverse the trend. (4 marks)
- 4 Write the type of demand represented by each of the following statements.
 - (i) Demand for a commodity causes an increase in demand for another commodity (2 marks)
 - (ii) Demand for one commodity calls for demand of another commodity (2 marks)
- 5 The following balances were extracted from the books of Saku Traders on 31 March 2008.

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

Determine the networth of the business as at 31st March 2008. (4 marks)
- 6 Indicate the type of journal in which each of the following transaction would be recorded.

	Transaction	Type of Journal
(i)	Goods previously sold on credit were returned	
(ii)	Goods bought on credit	
(iii)	Goods sold for cash	
(iv)	Motor vehicle sold on credit	

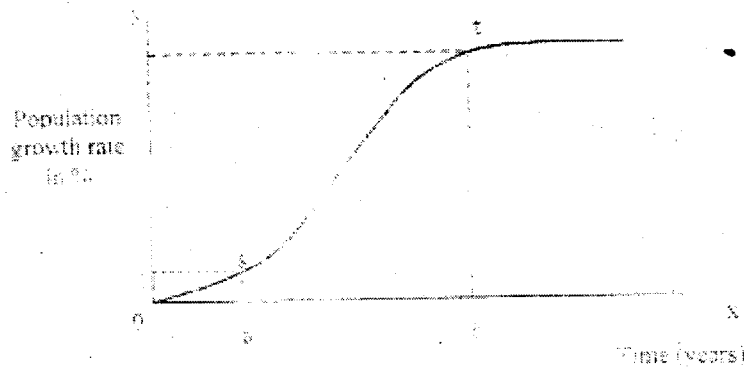
(4 marks)
- 7 A trader has decided to take a loan to expand a manufacturing business. Give **two** reasons why it is beneficial to borrow from a non-bank financial institution. (4 marks)
- 8 State **four** items that usually appear on the credit side of the current account of a country. (4 marks)
- 9 Outline **four** benefits that may accrue to a business from a country's political stability. (4 marks)
- 10 A lucrative manufacturing firm has been constantly releasing toxic wastes into the neighbourhood. Outline **four** measures you can take to stop the firm from such malpractice. (4 marks)
- 11 Outline **four** factors that should be considered in the choice of a means for transporting perishable goods. (4 marks)

- 12 Outline **four** circumstances under which face to face communication may be ineffective. (4 marks)
- 13 Highlight **four** benefits that would accrue to a firm located near other existing firms. (4 marks)
- 14 Country X has been experiencing an upward trend in the price of petrol as a result of a rise in inflation. State **four** steps that can be taken to minimize expenditure on this product. (4 marks)
- 15 Outline **four** reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizens. (4 marks)
- 16 The bookkeeper of Tande Traders extracted the following information from the accounting records.

	1.1.2007	31.12.2007
	Sh	Sh
Suppliers	465,000	640,000
Discount received	-	12,000
Purchases returns	-	25,000

During the year ended 31.12.2007, suppliers were paid Sh 1,500,000 while cash purchases amounted to Sh 800,000.
Determine the purchases for the year. (5 marks)

- 17 Outline **four** circumstances that would make an office manager to replace an existing machine with a modern one. (4 marks)
- 18 Outline **four** reasons why hypermarkets are becoming increasingly popular in Kenya. (4 marks)
- 19 The graph below shows the rate of population growth of a given country.



Outline **four** factors that may have contributed to the trend between s and t. (4 marks)

- 20 Kazim maintains a petty cashbook on a weekly imprest of Sh 13,000. On 1st April 2007 the cash balance was Sh 2,570. During the week of April, the following transactions took place.

2007

April 2	Received reimbursement from the main cashier
" 3	Paid Sh 3,070 for cleaning materials
" 4	Paid Sh 2,000 bus fare
" 6	Bought stationery worth Sh 2,200.

Prepare a petty cashbook to record the above transactions using cleaning, stationery and bus fare columns.

(5 marks)

- 21 Highlight **four** circumstances under which business enterprises may choose to merge.

(4 marks)

- 22 The following information relates to Maji Mazuri Traders as at 31.12.2008.

Fixed assets	400,000
Stock	120,000
Current liabilities	60,000
Net profit for the current year	100,000

Calculate:

(i) rate of return on capital employed;

(ii) current ratio.

(4 marks)

- 23 Highlight **four** factors that must be considered before incurring public expenditure.

(4 marks)

- 24 Outline **four** benefits that accrue to the government as a result of privatization of public enterprises.

(4 marks)

- 25 KAMAT owned a motor vehicle valued at Sh 1,000,000. He comprehensively insured the car at Sh 800,000. The motor vehicle was involved in an accident and declared a write off.

Calculate the amount KAMAT should get from the insurer.

(4 marks)

29.26.2 Business Studies Paper 2 (565/2)

- 1 (a) Explain five features of sole proprietorship form of business. (10 marks)
- (b) Explain five measures that the government may take to improve the volume of exports. (10 marks)
- 2 (a) Explain five demerits that may be associated with water transport. (10 marks)
- (b) The trial balance of Zakayo Traders as at 1 June 2008 is given below.

	DR Sh	CR Sh
Stock	76,500	
Creditors		450,400
Debtors	350,000	
Bank	260,400	
Fixed assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due		27,200
	<u>1,777,600</u>	<u>1,777,600</u>

During the month, the following transactions took place.

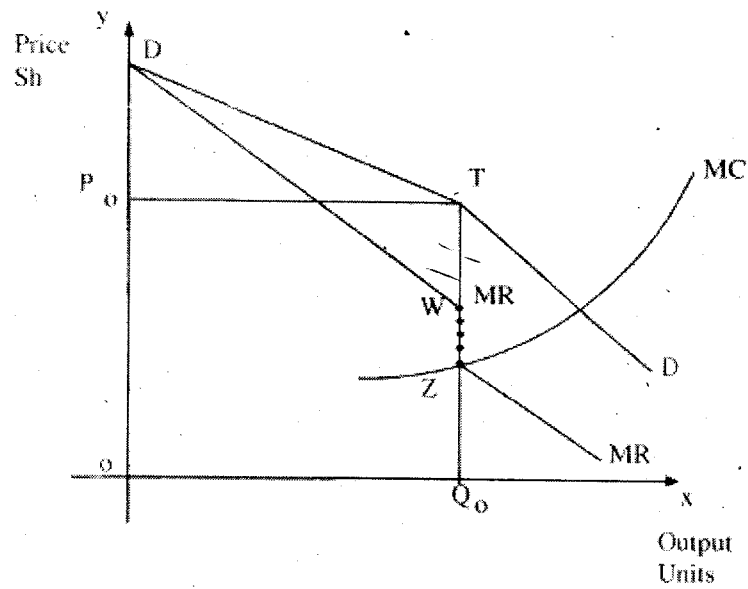
2008

- June 5 Paid a creditor Sh 228,000 by cheque in full settlement of a debt after deducting 5% cash discount.
- 15 Withdrew Sh 100,000 from bank for office use.
- 28 Received Sh 160,000 cash from a debtor after allowing cash discount of Sh 40,000.

Record the above transactions in the relevant ledger accounts and balance them off.

(10 marks)

- 3 (a) The diagram below shows an oligopolist kinked demand curve DD and current price and quantity at P_0 and Q_0 respectively.



- (i) Name the curve represented by the gap WZ.
- (ii) State why the curve WZ is vertical to price axis.
- (iii) Advice when the oligopolist can raise and lower the price of the commodity. (10 marks)

(b) Explain five ways in which the government of Kenya may reduce the level of unemployment. (10 marks)

- 4 (a) Using a diagram, explain the circular flow of income in a two sector economy. (10 marks)
- (b) Analyse the following document issued by Sheikh Traders.

Sheikh Traders		P O Box 235Y Nairobi		
		No. 4262 12 October 2008		
Debit				
Kamau Limited P O Box Y125 MOLO				
Terms: 10 per cent one month on Furniture only				
Quantity		Rate Sh	Sh	Sh
60	Dinning tables Mvuli	4,000	240,000	
4	Beds	2,000	8,000	
50	Coffee Tables	1,000	<u>50,000</u>	
			298,000	
	Less Trade discount 10%		<u>29,800</u>	268,200
4	Floor carpets	2,500	10,000	9,000
	Less Trade discount 10%		<u>1,000</u>	
	Carriage			<u>7,500</u>
	E & O.F.		Total	284,700

Required:

- (i) Name the document above.
- (ii) Calculate the amount paid for the goods, if the debtor paid on 28 October 2008.
- (iii) Determine the net profit of the business if transaction (ii) above was Sh 120,400 and the debtor paid for the goods on 15th November 2008. (10 marks)

5 (a) Explain **four** services that the Central Bank of Kenya may offer as a banker to commercial banks (8 marks)

(b) Malamu Traders had the following balances as at 31 December 2008.

	Sh
Building	540,000
Bank loan	472,500
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicles	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

(a) Profit and loss account for the year ended 31 December 2008.

(b) Balance sheet as at 31 December 2008. (12 marks)

6 (a) The following table represents the price and quantity of a commodity.

Month	Price	Quantity
January	80	2,000
February	40	5,000

(i) Plot the above information on a graph. (5 marks)

(ii) Calculate the price elasticity of demand. (5 marks)

- (b) Lunga, a sole trader, does not keep a complete set of accounting records. Information extracted from the records are as follows:

	1 January 2007	31 December 2007
	Sh	Sh
Stock	75,000	136,400
Pre-paid salaries	-	8,000
Creditors	142,500	158,400
Debtors	120,000	335,000
Furniture & Equipment	820,000	754,400
18% loan from bank	200,000	

Cash summary for the year was as follows:

Cash Summary			
	Sh		Sh
Balance b/d	460,800	Payment to creditors	660,500
Bad debts	16,000	Loan (31/12/2007)	50,000
Receipts from debtors	750,000	Salaries	48,000
		Purchases	135,400
		Interest on loan	30,000
		Balance c/d	302,900
	<u>1,226,800</u>		<u>1,226,800</u>

Additional information:

- (i) Interest charged on debtors overdue accounts amounted to Sh 2,000.
- (ii) Bad debts written off amounted to Sh 4,200.

Prepare trading, profit and loss account for the year ended 31 December 2007.

(10 marks)