



5.5 BUSINESS STUDIES (565)

5.5.1 Business Studies Paper 1 (565/1)

1 Identify the types of wholesalers described in the statements given below: (4 marks)

(a) A wholesaler who trades in maize grain only.

.....

(b) A wholesaler who supplies goods to most of the traders in Kitui, Mbooni and Machakos districts in the Eastern part of Kenya.

.....

(c) A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas.

.....

(d) A wholesaler who trades in a wide variety of human medicine.

.....

2 Outline **four** factors that should be considered before buying office equipment. (4 marks)

(a)

(b)

(c)

(d)

3 Outline **four** malpractices by traders against which consumers may need protection by the government. (4 marks)

(a)

(b)

(c)

(d)

4 State **three** features of an insurable interest. (3 marks)

(a)

(b)

(c)

- 5 Outline **four** ways of reducing the level of unemployment in Kenya. (4 marks)
- (a)
- (b)
- (c)
- (d)
- 6 State **four** services offered by a commercial bank to its consumers. (4 marks)
- (a)
- (b)
- (c)
- (d)
- 7 List **four** sources of public finance. (4 marks)
- (a)
- (b)
- (c)
- (d)
- 8 Outline **four** reasons why countries may trade with each other. (4 marks)
- (a)
- (b)
- (c)
- (d)
- 9 State **four** reasons why economic development is desirable to a country. (4 marks)
- (a)
- (b)
- (c)
- (d)

10 Indicate the reward associated with each of the factors of production in the table below. (4 marks)

	Factor of Production	Reward
a	Land	
b	Labour	
c	Capital	
d	Entrepreneurship	

11 Outline **four** circumstances under which a co-operative society may be dissolved. (4 marks)

- (a)
- (b)
- (c)
- (d)

12 Highlight **four** features of a bonded warehouse. (4 marks)

- (a)
- (b)
- (c)
- (d)

13 Outline **four** factors that may be considered when measuring the size of a firm. (4 marks)

- (a)
- (b)
- (c)
- (d)

14 The following transactions were extracted from the books of Sarah Traders for the month of March 2006.

March 10: Purchased goods on credit worth Ksh 200,000 from Salim Traders

March 25: Sold goods on credit worth Ksh 420,000 to Shah Traders

Record the above transactions in the ledger accounts below: (4 marks)

(a) Salim Traders Account

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(c) Shah Traders Account

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(b) Purchases Account

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(d) Sales Account

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15 On 2nd November 2006, Oromo received an invoice for Ksh 12,000. Terms of payment were trade discount 5% and cash discount 10%, if payment is made within 30 days. Determine the amount paid if payment was made on 28th November 2006. (4 marks)

16 The following balances were extracted from the books of Nafula Traders as at 31st December 2005.

	Ksh
Current Liabilities	150,000
Net profit	50,000
Total assets	500,000
2 years Bank loan	100,000

Calculate the rate of return on capital. (4 marks)

17 The information given below was extracted from the books of Amina Traders on 31st December 2006.

	Ksh
Purchases	260,000
Opening stock	75,000
Carriage on purchases	12,500
Closing stock	27,500

Goods were sold at a mark-up of 25%.

Using the information given above, prepare Amina Traders' Trading Account. (4 marks)

18 State **four** benefits that a farmer may get by transporting produce to the market by road. (4 marks)

- (a)
- (b)
- (c)
- (d)

19 The table given below represents the supply schedule of sukuma wiki (kales) for eight weeks in the months of January and February 2009.

WEEK	1	2	3	4	5	6	7	8
QUANTITY (METRIC TONNES)	505	485	430	375	340	290	215	195

Outline **four** causes of the trend in the table. (4 marks)

- (a)
- (b)
- (c)
- (d)

20 Outline **four** ways in which households contribute to national income of a country. (4 marks)

- (a)
- (b)
- (c)
- (d)

21 Outline **four** circumstances in which a trader may use oral communication. (4 marks)

- (a)
- (b)
- (c)
- (d)

22 Outline **four** reasons why a firm may remain small. (4 marks)

- (a)
- (b)
- (c)
- (d)

23 On 1st January 2007, Muthoni Traders Cash Book showed a credit balance of Ksh 150,000 at the bank and a debit balance of Ksh 25,250 in hand. During the month, the following transactions took place:

- January 5: Made cash sales for Ksh 21,500
- January 16: Received a cheque for Ksh 360,000 from a debtor.
- January 28: Paid a creditor Ksh.100,000; partly by a cheque of Ksh 80,000 and the balance in cash.

Prepare a Two-column Cash Book for the month. (5 marks)

**MUTHONI TRADERS
CASH BOOK**

DR				CR			
Date	Details	Cash (Kshs)	Bank (Kshs)	Date	Details	Cash (Kshs)	Bank (Kshs)

24 State **four** benefits that a trader may get by advertising products in a newspaper. (4 marks)

- (a)
- (b)
- (c)
- (d)



5.5.2 Business Studies Paper 2 (565/2)

- 1 (a) Explain the following types of inflation:
- (i) demand-pull inflation
 - (ii) cost-push inflation
 - (iii) imported inflation
 - (iv) structural inflation. (8 marks)
- (b) Explain **six** factors that may hinder the development of a country. (12 marks)
- 2 (a) Explain circumstances under which containerization may be used to transport goods. (10 marks)
- (b) (i) Explain the procedure for making an insurance claim. (5 marks)
- (ii) A farmer's house valued at Ksh. 1,200,000 was insured against fire for Ksh. 900,000 under the "with average clause". Fire occurred and damaged the house causing a loss of Ksh. 500,000. Determine the value of compensation due to the farmer. (5 marks)
- 3 (a) Discuss factors that may be considered when choosing a method for promoting a product. (10 marks)
- (b) Describe features of economic resources. (10 marks)
- 4 (a) Explain benefits that may accrue to an organization that adopts an open office plan. (10 marks)
- (b) Discuss circumstances under which a partnership may be dissolved. (10 marks)
- 5 (a) Amboseli Roses is a horticultural company producing flowers. Explain **six** factors that may influence the choice of a channel for distributing its products. (12 marks)
- (a) Give reasons for maintaining books of original entry. (8 marks)
- 6 (a) Discuss causes of unfavourable balance of payment for most developing countries. (10 marks)

- (b) The following balances were extracted from the books of Rehema Traders on 1st January, 2007.

	Kshs.
Capital	600,000
Creditors	180,000
Motor van	200,000
Furniture	200,000
Stock	60,000
Debtors	80,000
Cash	240,000

The following transactions took place during the year ended 31st December, 2007:

- (i) Sold furniture worth Ksh. 60,000 for which Ksh. 40,000 cash was received and the balance was due at the end of the year.
- (ii) Purchased goods worth Ksh.100,000 for which cash of Ksh. 70,000 was paid and the balance was still outstanding at the end of the year.
- (iii) Cash Ksh. 10,000 was taken from the business by the proprietor to settle the spouse's hospital bill.

Required:

Draw Rehema Trader's balance sheet as at 31st December, 2007 showing the items in their relevant classes. (10 marks)