

23.17 BUSINESS STUDIES (565)

23.17.1 Business Studies Paper 1 (565/1)



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565/1

BUSINESS STUDIES

Paper 1

Oct./Nov. 2007

2 hours

Candidate's signature

Date

THE KENYA NATIONAL EXAMINATIONS COUNCIL

Kenya Certificate of Secondary Education

BUSINESS STUDIES

Paper 1

2 hours

*Write your name and index number in the spaces provided above.
Sign and write the date of examination in the spaces provided above.
Answer all the questions in the spaces provided.*

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

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This paper consists of 11 printed pages

Candidates should check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.

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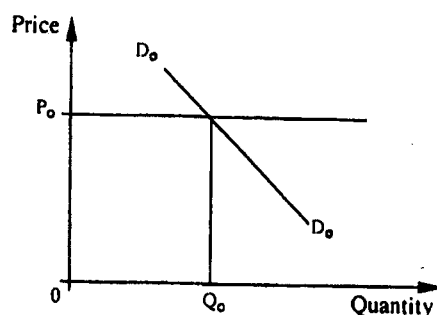
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Turn over

1. State four types of complaints that a consumer organisation may receive from consumers. (4 marks)
2. The following terms relate to communication: vertical, horizontal, formal and informal. Write the appropriate term of communication associated with each of the following statements. (4 marks)

	Statement	Terms
(a)	A manager gives instructions to a supervisor in her division	
(b)	Rumours going around that the most disciplined workers will be rewarded	
(c)	A manager issues a general circular to the employees	
(d)	Prefects discussing discipline in their school	

3. Outline three features of a Re-insurance company. (3 marks)
4. A firm wishes to introduce a new product into the market. Outline four factors that should be considered in choosing an appropriate medium for promotion. (4 marks)
5. The diagram below shows the current demand for petrol.



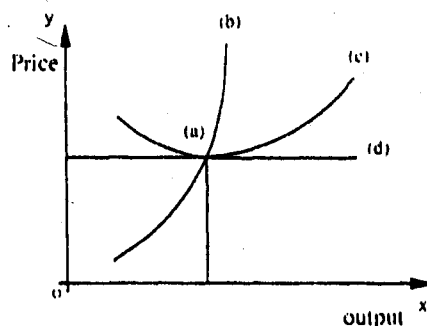
- (a) What is the effect of a fall in the price of cars on demand for petrol? (2 marks)
- (b) Draw a new demand curve on the diagram above to show the effect of a fall in price of cars. (2 marks)
6. State four ways in which production activities may negatively impact on community health. (4 marks)
7. Outline four negative effects of an ageing population to an economy. (4 marks)
8. The following are some of the accounts available to customers in the Kenyan banking industry: Current account, Savings account and Fixed deposit account. Give the account that corresponds to each of the descriptions given below. (4 marks)

	Description	Type of Account
(a)	Account holders require to deposit a specific initial amount as well as maintain a minimum balance	
(b)	Account holder may deposit and withdraw money whenever they want without maintaining a minimum balance	
(c)	Banks pay interest on the deposit at comparatively higher rates.	
(d)	Money may be deposited at any time and interest is earned if a specified balance is maintained	

9. The following are some of the documents used in home trade: cash sale receipt, catalogue, invoice and statement of account. Match each document with the appropriate description provided in the table below. (4 marks)

	Description	Document
(a)	Shows details of goods offered for sale.	
(b)	Gives quantity, unit price and total amount to be paid.	
(c)	Shows transactions since the date of last statement	
(d)	Shows description of goods bought, prices and total amount paid.	

10. The following diagram represents equilibrium position of a firm under perfect competition.



- Label the parts represented by the letters a, b, c, and d. (4 marks)
11. State four circumstances under which air transport may be used to ferry goods. (4 marks)
12. On 1 January 2006, Mzalendo Traders had sh. 18 000 in cash and sh. 170 000 at bank. During the month, the following transactions took place:

2006

January 10 Paid ABM Traders sh. 25 000 by cheque less sh. 1 000 cash discount.

16 Sold goods for sh. 14 000 cash, less 5% discount.

31 Banked all the cash except sh. 5 200.

Enter the above transactions in cash book extract given below and balance it off. (5 marks)

DR					CASH BOOK EXTRACT					CR
Date	Particulars	Discount allowed	Cash	Bank	Date	Particulars	Discount received	Cash	Bank	
		Sh.	Sh.	Sh.			Sh.	Sh.	Sh.	

13. Outline four benefits to a business that uses its own warehouse. (4 marks)
14. Identify the book of original entry used in recording each of the following transactions of Soya Traders. (4 marks)

	Transaction	Book of original entry
(a)	Sold goods on credit to Wanjau for sh. 20 000.	
(b)	Bought goods on credit from Saipei Traders for sh. 10 000	
(c)	Achieng returned goods worth sh. 6 000	
(d)	Soya returned goods worth sh. 11 000 to Nzomo Traders	

15. The following information related to Kerubo Traders for the year ended 31 December, 2006.

	Sh.
Opening stock	24 000
Carriage on sales	12 000
Purchases	370 000
Sales	442 500
Closing stock	40 000

Other expenses 10% on Gross Profit.

Prepare Trading Profit and Loss Account for the year ended 31 December, 2006. (5 marks)

16. The average consumer price for a 500g container of cooking fat for various years is shown in the table below.

Year	Consumer Price Ksh	Consumer Price Index
2000	47	100
2001	53	—
2002	62	—
2003	74	—

Calculate the consumer price index using year 2000 as the base year. (3 marks)

17. State four ways that may be used to control the amount of money in circulation by the Central Bank of Kenya (4 marks)
18. Outline four differences between a good and a service. (4 marks)

19. Highlight **four** factors that could influence mobility of capital as a factor of production. (4 marks)
20. State **four** advantages of an open office layout to an organization. (4 marks)
21. Highlight **four** ways in which the running of public corporations may be improved. (4 marks)
22. State **four** reasons why countries may decide to trade with each other. (4 marks)
23. Outline **four** benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4 marks)
24. State **four** factors that could hasten the economic development of a country. (4 marks)
25. Outline **four** elements that may comprise the external environment of a business. (4 marks)

23.17.2 Business Studies Paper 2 (565/2)

565/2
BUSINESS STUDIES
Paper 2
Oct./Nov. 2007
2½ hours

THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 2
2½ hours

Answer any five questions.
Write your answers in the answer booklet provided.
All questions carry equal marks.

This paper consists of 3 printed pages

**Candidates should check the question paper to ascertain that all the
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Turn over

- 1 (a) Explain **six** reasons why a new business may fail. (12 marks)
- (b) Explain **four** advantages of transacting business through e-commerce. (8 marks)
- 2 (a) Explain **six** sources of Government revenue for development expenditure. (12 marks)

- (b) Karani does not keep a complete set of accounting records. During the year ended 30 June 2006, the following balances were extracted from the books of accounts.

	Sh.
Stock	140 000
Motor vehicle	500 000
Land and buildings	2 500 000
Cash in hand	120 000
Cash at bank	240 000
Debtors	80 000
Creditors	120 000
Long-term loan	1 400 000
Plant and Machinery	600 000

Additional information:

- Karani drew sh.140 000 from the business for private use.
- Opening capital was sh.2 000 000 as at 1 July 2005.
- Additional capital during the year was sh.120 000.

- (i) Prepare statement of affairs for the year ended 30 June 2006. (6 marks)
- (ii) Determine profit or loss for the year ended 30 June 2006. (2 marks)
- 3 (a) Explain **five** ways in which the Agricultural Finance Corporation (AFC) contributes to economic development in Kenya. (10 marks)
- (b) Explain **five** factors that could affect the quantities of cabbages supplied in a market. (10 marks)
- 4 (a) Explain **five** strategies that a small-scale firm could adopt to expand so as to enjoy economies of scale. (10 marks)
- (b) Explain **five** benefits that could accrue to a customer who buys goods from a departmental store. (10 marks)
- 5 (a) Discuss **five** reasons why Less Developed Countries are reluctant in implementing free trade agreement. (10 marks)
- (b) Draw a diagram to show how equilibrium price and output are determined under monopoly. (10 marks)

- 6 (a) Explain five features that you would consider in establishing a warehouse for imported goods. (10 marks)
- (b) The following Trial Balance was prepared from the books of Mugambi Traders for the year ended 31 December 2005.

**Mugambi Traders
Trial Balance**

	DR Sh	CR Sh
Land and Buildings	500 000	
Capital		940 000
Plant & Machinery	200 000	
Motor Vehicles	300 000	
10 year bank loan		200 000
3 year ICDC loan		100 000
Stock	100 000	
Debtors	60 000	
Creditors		60 000
Accrued expenses		20 000
Cash at bank	100 000	
Cash in hand	20 000	
Drawings	40 000	
	<u>1 320 000</u>	<u>1 320 000</u>

Prepare

- (i) A balance sheet for the year ended 31 December 2005.
- (ii) Determine:
- Working Capital
 - Capital Employed
 - Borrowed Capital
- (10 marks)