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565/1
BUSINESS STUDIES
Paper 1
2½ hours

TOP NOTCH EXAM MERIT TWO (PRE-MOCK) 2016
KENYA CERTIFICATE OF SECONDARY EDUCATION.

Instructions to candidates

This paper consists of 25 questions
Answer all questions

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

1. Outline any four difficulties faced when satisfying human wants. (4marks)

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2. Outline four circumstances under which an insurance company would refuse to compensate an insured person. (4 marks)

- (i)
- (ii)
- (iii)
- (iv)

3. The following terms relate to communication: verbal, horizontal, formal and informal. Write the appropriate term of communication associated with each of the following. (4 marks)

Statement	Term
i) Rumours going around that the most disciplined will be promoted	
ii) A manager giving instructions to a supervisor in his division	
iii) Prefects discussing discipline in their school	
iv) A manager issues a general circular to employees	

4. State FOUR services offered to commercial banks by the central bank of Kenya. (4marks)

- (a)
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20. The following information relates to MUSIKO traders for the year ended 31/12/2011

Sales	Ksh800,000
General expenses	ksh120,000
Commission income	Ksh40,000
Margin	20%

Calculate

i) Mark-up percentage (2marks)

ii) Net profit for the year ended 31/12/2011 (2marks)

21. Highlight four disadvantages of direct production. (4 marks)

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22. State the level of production in each of the following activities. (4marks)

Activity	Level of production
(a) Cooking meals for students	
(b) Harvesting maize	

- (c) Distribution of kerosene
- (d) Boiling milk using electricity.

23. For each of the following transactions identify the book of original entry in which the transaction should be recorded.

	Transaction	Book of Original entry
(a)	Goods worth sh.4,000 returned by a client	
(b)	Goods were purchased for sh.120,000 on credit	
(c)	Returned goods worth sh.6,200 to the supplier	
(d)	Sale of office furniture worth sh.80,000 on credit	

24. The following Trial balance was obtained from the books of East Traders for the year ended 30.06.2015

East Traders
Trial Balance
As at 30.06.2015

Details	Debit (Shs.)	Credit (Shs.)
Gross profit		14,300
Rent	7,500	4,200
Bad debts	5,000	
Commission		3,500
Insurance	2,000	
Fixed Assets	13,500	
Capital		6,000
	28,000	28,000

Prepare East Stores profit and loss account

(4marks)

25. Outline four benefits that consumers get from warehousing.

(4 marks)

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