**Name**………………………………………………………..**Index. No**…………………

**Sign**………………............

**Date**………………………

565/1

**BUSINESS STUDIES**

PAPER 1

July/August 2016

TIME: 2 Hours

**PATHWAY EVALUATION EXAMINATION-2016**

**Kenya Certificate of Secondary education**

**565/1**

**Paper 1**

**BUSINESS STUDIES**

 **2 HOURS**

**INSTRUCTIONS TO CANDIDATES**

1. Write your name and index number in the spaces provided above
2. Sign and write the date of the examination in the spaces provided above.
3. Answer all questions in the spaces provided.
4. This paper consists of **9**printed pages
5. Check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.

**For Examiner’s Use Only**

|  |  |  |
| --- | --- | --- |
| **Question**  | **Maximum Score** | **Candidate’s Score** |
| **1-25** | **100** |  |

1. Define the following terms as used in business studies. (4 marks)
2. Business

…………………………………………………………………………………………………………………………………………………………………………………….

1. Production

…………………………………………………………………………………………………………………………………………………………………………………….

1. Distribution

……………………………………………………………………………………………………………………………………………………………………………………

1. Consumer

……………………………………………………………………………………………………………………………………………………………………………………

1. The following diagram represents demand and supply of a product.

Quantity

Price (ksh)

y

x

a

b

q

c

p

1. State what is represented by: (3 marks)

Curve ap …………………………………………………………………………………………

Curve bq …………………………………………………………………………………………

Letter c …………………………………………………………………………………………..

1. On the diagram, indicate equilibrium price (PE) and equilibrium quantity (QE) (1 mark)

1. Highlight four reasons why food is an important basic need. (4 marks)

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1. A teacher set up a school in a small shopping center and a year, the teacher opened three other branches within the same sub county. Identify **four** possible reasons behind her success. (4 marks)

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1. Distinguish between chain stores and departmental stores. (4 marks)

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1. Enter the following transactions in the relevant book of original entry (4mks)

2014 June 1. Made cash purchases worth sh. 25,000

,, 5. Paid sh.38,000 by cheques in full settlement of a debt owed to Kibogong after deductinga 5% cash

 discount.

,, 12. Bought stationery and paid by cash sh.19,000.

 ,, 19. Settled a debt of sh.90,000owed to Yatich stores by cheque after deducting a 3% cashdiscount.

,, 28. Paid the month’s salaries of sh 80,000, by cash, sh. 30,000 and the balance by cheques.

1. Highlight four characteristics of monopoly. (4 marks)

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1. Show the accounts to be debited or credited for the following transactions. (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Transactions**  | **Account to Debit** | **Account to Credit** |
| A | Paid wages in cash |  |  |
| B | Took business cash for private use |  |  |
| C | Purchased office furniture on credit from Zaodon Furniture. |  |  |
| D | Paid electricity bill by cheque |  |  |

1. The following information relates to commodity ‘A’.

Year Price (shs)

 2008 400

 2016 800

(i) Calculate the consumer price index. (3 marks)

(ii) Comment on your answer. (1 mark)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………..

1. Mention **four** characteristics of capital. (4 marks)

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1. Outline **four** benefits that a business person who uses the latest technology in record –keeping derive. (4 marks)

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1. Mention four roles played by intermediaries in the distribution channel. (4 marks)

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1. Highlight factors the government should consider when deciding on a good tax system.

 (4 marks)

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1. State **four** positive effects of inflation (4 marks)

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1. Name office equipment used for: (4 marks)
2. Posting information to ledgers and preparing payrolls.

…………………………………………………………………………………………….

1. Storing information, typing and performing complex calculations.

…………………………………………………………………………………………….

1. Transmitting printed messages like letters, maps.

………………………………………………………………………………………………

1. Storing important documents in an organization.

………………………………………………………………………………………………

1. Outline four factors that affect the circular flow of income. (4 marks)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. List four features of co-operative societies. (4 marks) ……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………
2. Identify four channels of distribution for locally manufactured products. (4 marks)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. State four mailing services offered by the Post Office. (4 marks)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. Helen prefers obtaining loan from Sacco to obtaining it from a Comercial Bank. Give **four** reasons for this. (4 marks ……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………
2. Outline **four** current trends in the road transport in Kenya today. (4 marks)

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1. State **fou**r errors that do not affect the agreement of a trial balance. (4 marks)

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

1. From the factors given in the table ,say whether the factor constitute internal or external environment to a business. (4 marks)

|  |  |  |
| --- | --- | --- |
|  | Factor | Environment |
| (i) | Social beliefs |  |
| (ii) | Shareholder’s resolutions |  |
| (iii) | Market interest rate |  |
| (iv) | Firm’s physical infrastructure |  |

1. Give four features of business assets. (4 marks)

……………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

25. The following information was extracted from the books of Najma Traders for the year ending 31st December 2014.

|  |  |
| --- | --- |
|   | Kshs. |
| Opening stock | 1000,000 |
| Purchases  | 200,000 |
| Return outwards | 10,000 |
| Sales  | 400,000 |
| Profit margin  | 10% |

*Calculate:*

 (a) Cost of goods sold. (2 marks)

 (b) Closing stock. (2 marks)