**NAME \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ADM NO \_\_\_\_\_\_\_**

**BUSINESS STUDIES**

**565/1 PAPER ONE**

**JULY/AUGUST EXAMINATION 2019**

**TIME: 2 HOURS**

**FORM FOUR**

**INSTRUCTIONS**

1. Attempt all the questions in the spaces provided.
2. Identify four features of economic resources. (4 marks)
3.
4.
5.
6.
7. Outline four causes of cost push inflation. (4 marks)
8.
9.
10.
11.
12. Outline four circumstances under which hire purchase may be used to acquire goods. (4 marks)
13.
14.
15.
16.
17. The descriptions stated below refer to various methods of product promotion. For each description give the method that best matches it. (4 marks)

|  |  |  |
| --- | --- | --- |
|  | Description  | Method of product promotion.  |
|  | Any mention of a person, firm or product in the mass media.  |  |
|  | Presentation of a commodity to prospective buyer, face to face by a sales man with an aim of making sales.  |  |
|  | Process of information with a view of creating, promoting or maintain goodwill and favourable image of the organization to the public.  |  |
|  | Any paid form of impersonal presentation of a product made through mass communication media.  |  |

1. State four goals of development in a country. (4 marks)
2.
3.
4.
5.
6. Highlight four ways in which monopoly differs with perfect competition. (4 marks)
7.
8.
9.
10.
11. Outline four functions of a wholesaler. (4 marks)
12.
13.
14.
15.
16. The following balances of assets and liabilities were provided by safari merchants as at 31/12/2015

|  |  |
| --- | --- |
| **Item**  | **Shs.**  |
| Bank overdraft  | 80,000 |
| Land  | 200,000 |
| Accrued electricity bill  | 50,000 |
| Stock  | 10,000 |
| Debtors  | 20,000 |

The business had drawings amounting to Shs.20,000 during the year.

Prepare a balance sheet to determine the net worth of the year. (4 marks)

1. Indicate whether the following taxes are direct or indirect. (4 marks)

|  |  |  |
| --- | --- | --- |
|  | Tax  | Type of tax  |
|  | Corporation tax  |  |
|  | Value added tax (VAT)  |  |
|  | Capital gains tax  |  |
|  | Excise  |  |

1. Highlight four methods the government uses to protect consumers. (4 marks)
2.
3.
4.
5.
6. State four benefits that people from your area may benefit from business enterprise. (4 marks)
7.
8.
9.
10.
11. Highlight four disadvantages to the manufacturer if wholesalers are eliminated from the chain of distribution. (4 marks)
12.
13.
14.
15.
16. Highlight four demerits of newspapers as a means of advertising. (4 marks)
17.
18.
19.
20.
21. Juma Munyasia sells all his goods at 25% above costs. His books gave the following information as at 31st December 2015.

|  |  |
| --- | --- |
| Stock 1st January 2015  | Shs.98,720 |
| Stock 31st December 2015 | Shs.126,000 |
| Sales for the year  | Shs.600,000 |

Calculate the profit made by Munyasia. (4 marks)

1. Globalization is a term often used to denote business ownership and trend. Outline four merits of globalization of business units. (4 marks)
2.
3.
4.
5.
6. Outline four reasons why a new business may fail. (4 marks)
7.
8.
9.
10.
11. Outline four ways in which commercial banks facilitate transferring of money from one place to another. (4 marks)
12.
13.
14.
15.
16. Write down the international trade documents that relate to each of the following statements. (4 marks)

|  |  |  |
| --- | --- | --- |
|  | Statement  | Documents  |
|  | Prepared by an exporter giving details about the origin of goods.  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  | A document of title to the goods traded in international trade.  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  | Show prices charged as certified by the importing country’s officials.  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
|  | Enables the importers to initiate clearing of customs duty earlier enough to avoid delays.  | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

1. Highlight four factors that determine the size of a firm. (4 marks)
2.
3.
4.
5.
6. Outline four benefits of pooling of risks. (4 marks)
7.
8.
9.
10.
11. Outline four circumstances under which the per capita income statistics would be a good indicator of the welfare of the country. (4 marks)
12.
13.
14.
15.
16. For each of the following transactions indicate in the appropriate column the source documents and the books of original entry in which the transactions should be recorded. (4 marks)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Transaction  | Source document  | Books of original entry  |
|  | Goods returned by a consumer.  |  |  |
|  | Purchase of goods on credit.  |  |  |

1. State four errors that do not affect the agreement of a trial balance. (4 marks)
2.
3.
4.
5.
6. Outline four circumstances under which verbal communication would be preferred to written communication. (4 marks)
7.
8.
9.
10.
11. The following assets and liabilities belong to Jacky’s stores as at 31st March 2005. Buildings Shs.200,000, debtors Shs.8,000, creditors Shs.32,000, stock Shs.24,000, cash at bank Shs.120,000, cash in hand Shs.40,000, loan from HFCK Shs.100,000 and capital Shs.260,000.

During the month of April 2005, the following transactions took place.

|  |  |  |
| --- | --- | --- |
| April  | 1 | Sold goods worth Shs.2,100 cash.  |
|  | 2 | Paid creditors Shs.8,000 cash.  |
|  | 10 | Received Shs.2,000 from debtors in cash.  |
|  | 15 | Bought a motor van Shs.350,000 paying by cheque.  |

**Required:**

Prepare a balance sheet as at 15th April 2005. (4 marks)