**NAME………………………………………… INDEX NO. ………………………**

**SCHOOL ………………………………… SIGNATURE ………………………...**

**DATE ………………………...**

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**JULY 2021**

**TIME: 2 HOURS**

**SUKELLEMO JOINT**

*Kenya Certificate of Secondary Education (K.C.S.E)*

## INSTRUCTIONS TO CANDIDATES

## Answer all the questions in the spaces provided.

This paper consists of 6 printed pages. Candidates should check the question paper to ensure that all pages are printed as indicated and no questions are missing.

### FOR EXAMINER’S USE ONLY

| **Question No** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |  |

| **Question No** | **14** | **15** | **16** | **1** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |

**ANSWER ALL QUESTIONS**

1. Outline **four** importance of Business Studies in a society. (4mks)

* Assists members of the society to relate the knowledge, skills and attitudes acquired to the day to day business activities around them
* Equips one knowledge & skills necessary to start and run a business comfortably.
* Assists one to appreciate the role of business in provision of goods and services
* Leads to appreciation of need for good business management practices
* One acquires soft discipline
* One acquires positive attitude towards work
* There is cooperation in society through trade
* Enables the individual to understand the role of the government in business activities
* One understands role of communication and information technology in business
* Equips one with knowledge and skills to evaluate business performance

2. State four factors that determine the period for which documents should be stored (4mks)

* Availability of storage spaces
* Cost of storage
* Information contained in the document
* Need for future references
* Purpose of documents

3. Highlight **four** reasons why a cheque may be dishonored (4mks)

* Insufficient funds in the drawers account
* Signature of the account holder differs from the specimen in the bank
* If the cheque is stale
* If the cheque is post-dated
* If the drawer has closed his account with the bank
* When the cheque has altered and not countersigned
* A bank learns about the death, insanity or bankrupty of the account holder
* If the cheque is torn or defaced
* If the amounts in figures are different form the amounts in words

4. People hold money for various reasons. Identify the motive for holding money in each of the following cases. (4mks)

(a) To meet medical expenses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(b) To pay for daily milk from their supplier \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(c) To meet daily transport expenses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(d) To counteract future decreases in price \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Outline ***four***circumstances under which a credit note may be issued. (4mks)

* When correcting an overcharge resulting from over pricing
* When empty containers and packing cases whose values here included in the invoices are returned by the buyer
* After the seller has received the returned good together with the accompanying goods returned note
* It is used as a source document in books of original entry.

6. You have been charged with a duty of preparing an article of Association for your company; state **four** items that you will include in your article of Association (4mks)

* The rights of each type of share holders eg. Voting rights
* Methods of calling meetings
* Rules governing elections of officials in the company
* Rules regarding preparation and auditing of accounts
* Powers, duties and rights of the directors

7. Describe **four** characteristics of debentures (4mks)

* Carry a fixed rate of interest
* Interest is paid whether the company has made profits or not
* On dissolution, debenture holders are paid first before shareholders
* May be redeemable or irredeemable

8. Outline **four** factors that may account for predominant direct production in a country (4mks)

* Reliance on low level of technology which can facilitate production for market.
* Low income due to poverty which limits production activities.
* Negative attitude towards commercialization of most production activities.
* Poor resource endowment.
* Lack of market for some goods.
* Lack of skills.

9. State **four** ways in which a commercial attaches promotes trade. (4mks)

* They organize visits to trade fairs and exhibitions by home exporters.
* Select and appoint agents and distributors for their country’s goods.
* They advertise their country’s goods in foreign trade.
* They explore new markets for export in countries where they are based.
* Make detailed reports on commercial activities that may help improve the exports from their countries.
* Research and analyses markets for exports from their home countries.
* Keep statistics of products such as volumes, packaging sizes and method of manufacturing.
* Attend meetings, seminars and workshops on trade patterns of the countries and keep data of new markets for exports.
* Publish and advertise their country’s exports in business journals and magazines.

10. List **four** essential elements of a transport system (4mks)

* Unit of carriage/vessels
* Methods of propulsion /source of power
* Ways /path where vessels may pass.
* Terminals/loading and offloading

11. Outline **four** ways of controlling demand pull inflation. (4mks)

* Decrease in public expenditure
* Decrease in wage earnings
* Increase in public borrowing to finance the production of goods and services in the country
* Increase income taxation to reduce disposable income
* Offer subsidies to firms to increase production
* Use of buffer stocks to sustain supply of goods during times of shortage
* Producing commodities that are in short supply

12. List **four** mailing services that facilitate communication. (4 mks)

* Poste Restante
* Speed post
* Registered mail
* Ordinary mail

13. State any **four** uses of insurance funds. (4mks)

* Payment of claims to insured when they insured risks.
* Investment into profit earning ventures.
* Administration of insurance firms.
* Profits to owners of insurance company.

14. Give **four** reasons why protectionism policy in foreign trade may fail (4mks)

* Possible retaliation.
* Poor quality of products within the country.
* High prices of goods.
* Less variety of goods.
* Dangers of protected firms not growing

15. State **four** gaps that can be filled in the market through a business opportunity. (4mks)

* Inavailability of Goods
* Poor services
* Unaffordable prices
* Insufficient quantities
* Poor quality products.

16. Highlight **three** differences between a movement along a demand curve and a shift in a demand curve. (3 mks)

Movement along a demand shift in a demand curve

- Determined by change in price a lone - caused by change of other factors other than price

- Occurs along the same demand curve - results in a new set of demands curve.

- Different quantities at different prices - different quantities at the same price.

17. State **four** strategies that a small firm would adopt to expand its operations so as to enjoy

Economies of scale (4mks)

* Diversification of products.
* Adopt appropriate technology.
* Plough back profits.
* Get involved in amalgamation/mergers.
* Obtain loans to expand capital base.
* Franchising.

18. State **four** sources of oligopoly power. (4mks)

* When the intial cost of production is too high.
* When the government controls a policy.
* when few firms have patent rights.
* When few firms have exclusive control of raw materials.
* When there is unique technology.
* Where there are mergers.
* Where there are internal economies of scale.

19. State **four** ways in which households contributes to national income of a country.

(4mks)

* Consumption of goods
* Payment of taxes
* Provision of factors of production
* Provision of saving for investments

20. The following information shows the financial position of Mwalimu Traders as at

1st May, 2021.

Capital 130,000

Cash in hand 40,000

Rent owing 12,000

Furniture 110,000

Debtors 20,000

Stock 60,000

Trade creditors 38,000

Bank overdraft 50,000

Required: Prepare the trial balance for the business. (5mks)

Mwalimu Traders

Trial balance √

As at 01 /05/ 2018

| Particulars | Dr | Cr |
| --- | --- | --- |
| Capital |  | 130,000 √ |
| Cash in hand | 40,000 √ |  |
| Rent owing |  | 12,000 √ |
| Furniture | 110,000 √ |  |
| Debtors | 20,000 √ |  |
| Stock | 60,000 √ |  |
| Trade creditors |  | 38,000 √ |
| Bank overdraft |  | 50,000 √ |
|  |  |  |
|  | 230,000 √ | 230,000 |

( 10 x ½ = 5 marks )

21. State **four** errors that cannot be revealed by a trail balance. (4mks)

* Error of total omission:
* Error of original entry -
* Error of commission:
* Compesating errors:
* Complete reversal of entries
* Error of principle

23. List down **four** transactions that are likely to be recorded in the general journal. (4mks)

* Purchase of fixed assets
* Sale of fixed assets
* Correction of errors
* Issue of shares and debentures
* When making opening and closing entries
* When writing off bad debts

24. Classify the following taxes as either direct or indirect. (4mks)

* Corporation tax-----------------
* Value added tax ----------------
* Income tax ----------------------
* Customs duty ------------------

25. State **four** reasons why a member country should remain a member of Economic Union.

* There is common currency among members
* Members have a common Central Bank
* Members have a common infrastructure e.g. railways
* Member countries have a common traffic/ No national difference in taxation
* There is free trade among member countries
* There is freedom of migration
* Free flow of capital
* Freedom of establishment of business