

K.C.S.E YEAR 2010 PAPER 1

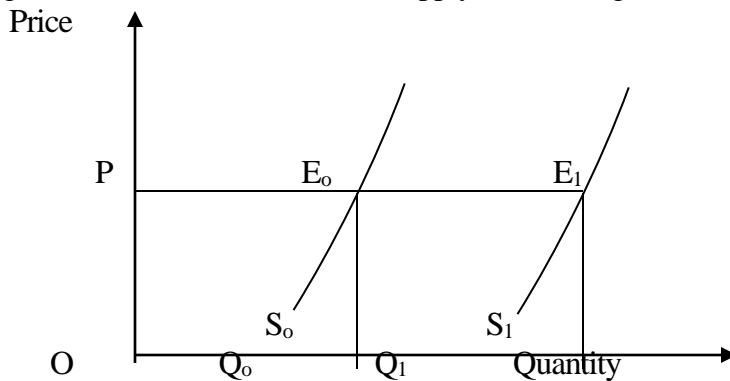
1. In the spaces provided below, indicate the type of utility created by each of the following commercial activities: (4 marks)

Commercial activity	Type of utility
(i) Selling goods to customers;
(ii) Transporting goods;
(iii) Storekeeping;
(iv) Making a chair. (5 marks)

2. Give **five** reasons why the government may find it necessary to start a parastatal.
 3. Name the types of warehouses associated with each of the statements given below: (4 marks)

Statement	Type of warehouse
(i) Goods can be stored before payment of customs duty.	
(ii) Individuals can hire storage facilities.	
(iii) Goods are stored from several manufacturers.	
(iv) Specialised goods are stored	

4. The figure below shows a shift in the supply curve of a given commodity.



Outline **four** factors that may have caused the shift in the supply curve from S_0 to S_1

5. The balances given below relate to Enotika Traders for the year e. 31ST December 2008.

	Shs
Capital	?
2 year bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

- Prepare a balance sheet as at 31st December 2008. (5 marks)
 6. Give two reasons why a three column cashbook is used both as a journal and a ledger. (4 marks)
 7. The management of national debt, credit control and lender of last resort are some of the functions of the Central Bank. Match these functions with the statements given below. (3 marks)



	Statement	Function
i.	Repayment of Government securities as they mature.	
ii.	Receipt of treasury bills to secure loans.	
iii.	Directing commercial banks on the preferred sectors to lend money.	

8. State the meaning of the following terms of sale as used in international trade: (4 marks)
- (i) LOCO.....
 - (ii) C.I.R
 - (iii) F.A.S.
 - (iv) F.O.Q
9. The manager of Tasa Limited constantly walks around various departments. State **four** merits of this style of management. (4 marks)
10. State **four** reasons why the government should create an enabling environment for investors. (4 marks)
11. Outline four differences between insurance and assurance. (4 marks)
12. State **four** factors that may influence the level of national income. (4 marks)
13. Outline the difference between cash and credit transactions. (2 marks)
14. The terms capital employed, working capital, owner's equity and borrowed capital are types of capital found in a business. Match each of the statements given below with the relevant type of capital. (3 marks)

Statement

Type of capital

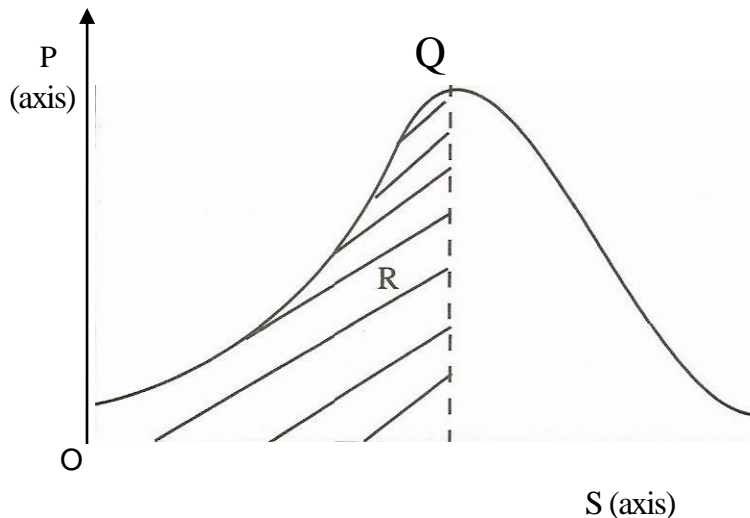
(i)Resources invested into the business by the owner.

(ii)Excess of current assets over current liabilities.

(iii)Amount invested into the business by outsiders.

15. Outline **four** ways in which government expenditure may stabilize the economy of a country. (4 marks)
16. State **four** problems associated with development planning. (4 marks)
17. State **four** services that a **wholesaler** may offer to a manufacturer. (4 marks)
18. State **four** reasons why flower exporters would transport their produce by air rather than by sea.(4 marks)
19. The diagram below represents the relationship between population and income per capita.





(4 marks)

State what is represented by P and S axes, and letters R and Q.

20. The following information was extracted from the books of Helen Traders;

	1/1/2008	31/12/2008
	Shs	Shs
(i) Salaries pre-paid	24,800	52,400
(ii) Salaries paid	-	48,200

Prepare a salary expense account using the above information.

(5 marks)

21. State **four** circumstances under which one may decide to start a personal business.

(4 marks)

22. Highlight **four** ways in which a business idea can be implemented.

(4 marks)

23. Outline **five** measures that a manager can take to improve the working environment in the office.

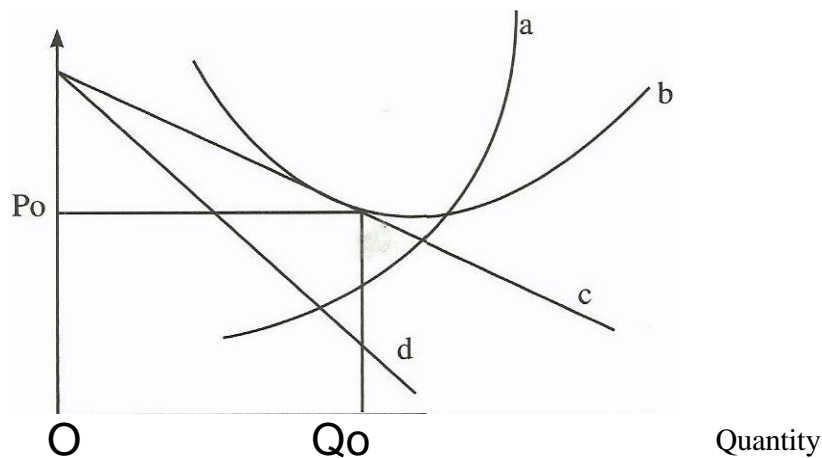
(5 marks)

24. Highlight **four** challenges that a person may encounter when using a cellphone (mobile phone)

(4 marks)

25. The diagram below represents the long-run equilibrium of a firm under monopolistic competition.

Price



Name the curves represented by the letters a, b, c, and d

(4 marks)



K.C.S.E YEAR 2010 PAPER 2

1. (a) Explain **five** features that differentiate a Public Limited Company from a partnership form of business. (10 marks)
- (b) With the aid of a diagram, explain the behaviour of average cost curve in the short run for a firm with fixed production capacity. (10 marks)
2. (a) Explain **five** challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10 marks)
- (b) On 1 September 2006. Igonji had Sh55 000 in hand and Sh 250 000 at bank. During the month, the following transactions took place:

September	2	Cash sales banked Sh 35 260
	3	Bought ribbons in cash Sh 4 500
	8	Paid Wangila, a creditor Sh 94 000 by cheque in full settlement of his account after deducting 6% cash discount
	12	Received a cheque for Sh 58 800 from Wetu after allowing her a cash discount of Sh 1200
	15	Paid salaries Sh 34 000 in cash
	25	Withdrew Sh 50 000 from bank for office use
	28	Anyango, a debtor paid her account of Sh 75 000 by cheque less 10% cash discount.
	30	Deposited all the cash into bank except Sh 13 700

Prepare a three column cash book and balance it off. (10 marks)

3. (a) Explain **five** ways in which effective management practices may contribute to the success of a business. (10 marks)
- (b) Explain **five** reasons why an effective filing system is important in an office. (10 marks)
4. (a) Explain **five** circumstances that would influence a producer to use wholesalers in distributing farm produce. (10 marks)
- (b) Memon Traders does not keep a complete set of accounting records. The following information relates to the year ended 31 December 2006.

- (i) Extract of cash summary- was:

Cash receipts

Cash sales 420,200
Commission received 36,400

Cash payments

Purchases 260,000
General expenses 50,000
Insurance 14,800

- (ii) Extract of assets and liabilities:

	1.1.06	31.12.06
	Sh.	Sh.
Stock	65,000	92,500
Insurance paid in advance	16,200	4,000
Commission receivable	8,400	10,200
Unpaid General expenses	48,000	70,000



Additional information

Included in credit sales are drawings of stock valued at Sh 25 000.

For the year ended 31 December 2006, determine the following:

- (i) Total sales
 - (ii) Total purchases
 - (iii) Commission receivable
 - (iv) Insurance expense
 - (v) General expenses (10 marks)
- 5 (a) Describe **four** measures that the Government may put **in** place to reduce the amount of money in circulation. (8 marks)
- (b) Explain **six** circumstances under which a country may restrict international trade. (2 marks)
- 6 (a) Explain **four** circumstances in which a trader may offer after sales service to the buyer. (8 marks)
- (b) The following balances were extracted from books of Simba Traders for the year ended 31 December 2006.

	Shs
Debtors	30,200
Motor vehicles	750,000
Creditors	260,000
Furniture	160,500
Drawings	60,800
Salaries	322,600
Rent	14,800
Bank loan	200,000
Discount received	14,500
Gross profit	210,000
Stock	45,600

Additional information

- (i) Motor vehicle is depreciated by Sh187 500 while furniture is to be depreciated by Sh16 050 per year.
 - (ii) Interest on loan is charged at 18% per year. This interest was still owing on 31 December 2006.
 - (iii) Rent unpaid on 31 December 2006 was Sh 2400
- Prepare
- (a) Profit and loss account for the year ended 31 December 2006
 - (b) Balance sheet as at 31 December 2006. (12 marks)

