

565/1

BUSINESS STUDIES

PAPER 1

OCT. / NOV. 2006

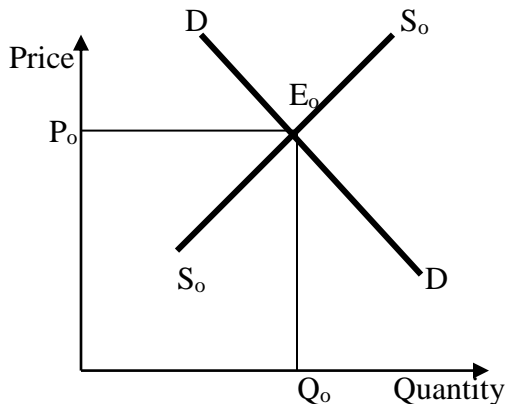
2 HOURS

1. State four advantages of operating a partnership form of business. (4mks)
 - a)
 - b)
 - c)
 - d)
2. Outline four risks against which a shopkeeper may insure. (4mks)
 - a)
 - b)
 - c)
 - d)
3. Give four ways in which a government may participate in the operations of a state corporation. (4mks)
 - a)
 - b)
 - c)
 - d)
4. Outline four considerations that a seller should take into account before giving credit to a new customer. (4mks)
 - a)
 - b)
 - c)
 - d)
5. The table below shows some of the occupations in production. Indicate the level of production associated with each of the occupations. (4mks)

Occupation	Level of production
a) Mining	_____
b) Oil refining	_____
c) Insurance	_____
d) Teaching	_____

6. What are the advantages of personal selling as a method of sales promotion? (4mks)
 - a)
 - b)
 - c)
 - d)
7. The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price (P_o) and quantity (Q_o). On the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity. (4mks)





8. Give four assumptions that are associated with perfect competitor. (4mks)
 - a)
 - b)
 - c)
 - d)
9. List four types of unemployment in an economy and give the cause for each. (4mks)
 - a)
 - b)
 - c)
 - d)
10. What benefits may accrue to manufacturing firm that uses modern technology? (4mks)
 - a)
 - b)
 - c)
 - d)
11. Highlight four benefits of using electronic filing system. (4mks)
 - a)
 - b)
 - c)
 - d)
12. State four social responsibilities that a manufacturing firm should have on the community. (4mks)
 - a)
 - b)
 - c)
 - d)
13. What factors may encourage entrepreneurship in Kenya (4mks)
 - a)
 - b)
 - c)
 - d)
14. Highlight four characteristics of economic resources. (4mks)



- a)
 b)
 c)
 d)
15. Give four reasons why one would prefer a letter to a telephone to send a message. (4mks)
 a)
 b)
 c)
 d)
16. State the effect of each of the following transactions on the balance sheet by writing increase, or decrease or no effect in each case.

Transaction	Effect
a) Bought machinery on credit	_____
b) Withdrew cash from the business for person use	_____
c) Purchased stock in cash	_____
d) Paid outstanding loan by cheque.	_____

17. The following balances were extracted from the books of Chebi Traders for the month ended 31 March 2005.

	Sh.
Sales	420,000
Purchases	240,000
Motor Van	300,000
Equipment	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare trial balance of Chebi Traders for the month ended 31 March 2005. (4mks)

18. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 Dec 2005.

Shs.



Sales	500,000
Purchases	320,000
Opening stock(1.1.2005)	80,000
Closing 31.12.2005	40,000
Debtors	140,000
Creditors	90,000

Calculate

- a) margin
 - b) Current ratio
 - c) Rate of stock turnover (4mks)
19. Outline four benefits of direct taxation to the government. (4mks)
- a)
 - b)
 - c)
 - d)
20. State four factors that may cause inflation in an economy. (4mks).
- a)
 - b)
 - c)
 - d)
21. Outline four ways that the World Bank may use to assist developing countries to improve their economy. (4mks)
- a)
 - b)
 - c)
 - d)
22. State four problems that a planner may encounter in development planning. (4mks)
- a)
 - b)
 - c)
 - d)



565/2

BUSINESS STUDIES

Paper 2

Oct./ Nov. 2006

2 ½ hours

1.
 - a) Explain five factors that may influence the level of national income of a country .
(10 marks)
 - b) Over the years southern Star has grown into a large business enterprise. Explain five diseconomies of scale which it may experience.
(10 marks)
2.
 - a) Explain four ways that a government can use to finance a budget deficit.
(8 marks)
 - (b) The following trial balance was extracted from the books of Fula Traders on 31st December 2005.

Fula Traders
Trial Balance
as at 31.12. 2005

	Dr. Sh.	Cr. Sh.
Sales		600,000
General Expenses	60,000	
Rent expense	10,000	
Commission Received		20,000
Motor Vehicle	600,000	
Furniture	240,000	
Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchases	400,000	
Sales Returns	20,000	
Capital	<u>1, 500,000</u>	<u>700,000</u> <u>1,500,000</u>

Additional information

- Stock on 31 December 2005 was valued at sh. 60,000
- Depreciation to be provided for as follows:
 - Motor Vehicle 20% p.a on Cost
 - Furniture 10% p.a on cost

Prepare:

- i) Trading, profit and Loss Account for the year ended 31 December 2005.
- ii) Balance Sheet as at 31 December 2005. (12 marks)



- 3 a) Explain five benefits that may accrue to a community that is involved in trading activities. (10 marks)
- b) Outline five benefits that a Savings and Credit Co-operative society (SACCO) provides to its members. (10 marks)
- 4 a) Musi Enterprises are considering to market their imported products direct to consumers. Outline five reasons that may be influencing them to make this decision. (10 marks)
- b) Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners. (10 marks)
5. a) Outline five factors that may limit the use of containers as a method of transporting goods in a developing country. (10 marks)
- b) Using a diagram, explain how a monopolist firm determines its output. (10 marks)
6. a) Explain four functions of money. (8 marks)
- b) Cheru Traders does not keep a complete set of books of accounts. The following information was extracted from her books of accounts.

	1.1.05	31.12.05
	Sh.	Sh.
Stock	920,000	1,200,000
Debtors	400,000	540,000
Creditors	800,000	950,000

During the year, cash received from debtors was sh. 1,400,000 while cash paid to creditors amounted to sh. 2,000,000. Cash sales were for Sh. 250,000 while cash purchases amounted to sh. 320,000. Carriage inwards was for sh. 46,000.

Other relevant information.

- Returns inwards were Sh. 42,000.
- Cheru had taken goods amounting to sh. 50,000 for personal use.

- i) Determine total sales.
- ii) Determine total purchases.
- iii) Prepare Trading Account for the period ended 31 December 2005. (12 marks)



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BUSINESS STUDIES

PAPER 1

OCT. /2007

2 HOURS

1. State four types of complaints that a consumer organization may receive from consumers.

(4 marks)

- (a)
- (b)
- (c)
- (d)

2. The following terms relate to communication: vertical, horizontal, formal and informal.

Write the appropriate term of communication associated with each of the following statements.

	Statement	Terms
(a)	A manager gives instructions to a supervisor in division	
(b)	Rumours going around that the most disciplined workers will be rewarded.	
(c)	A manager issues a general circular to the employees	
(d)	Prefects discussing discipline in their school	

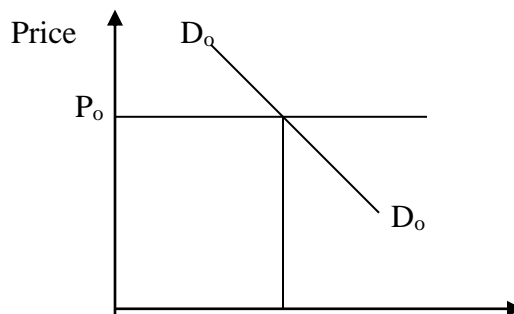
3. Outline three features of a Re – insurance company

- a)
- b)
- c)

4. A firm wishes to introduce a new product into the market. Outline four factors that should be considered in choosing an appropriate medium for promotion.

- a)
- b)
- c)

5. The diagram below shows the current demand for petrol.



o Q_o Quantity

- a) What is the effect of a fall in the price of cars on demand for petrol? (2mks)
.....
.....
- b) Draw a new demand curve on the diagram above to show the effect of a fall in price or cars. (2mks)
6. State four ways in which production activities may negatively impact on community health.
- a)
.....
- b)
.....
- c)
.....
- d)
.....
7. Outline four negative effects of an ageing population to an economy. (4mks)
- a)
b)
c)
d)
8. The following are some of the accounts available to customers in the Kenyan banking industry: Current account, savings account and Fixed deposit account. Give the account that corresponds to each of the descriptions given below. (4mks)

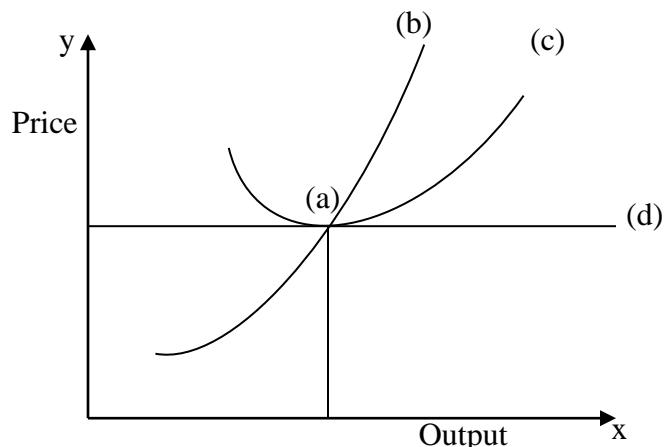
	Description	Type of Account
(a)	Account holders require to deposit a specific initial amount as well as maintain a minimum balance	
(b)	Account holder may deposit and withdraw money whenever they want without maintaining a minimum balance	
(c)	Banks pay interest on the deposit at comparatively low rates.	
(d)	Money may be deposited at any time and interest earned if a specified balance is maintained	

9. The following are some of the documents used in home trade: Cash sale receipt, catalogue, invoice and statement of account. Match each document with the appropriate description provided in the table below.

	Description	Document
(a)	Shows details of goods offered for sale.	
(b)	Give quantity, unit price and total amount to be paid.	
(c)	Shows transactions since the date of last statement.	
(d)	Shows description of goods bought, prices and amount paid.	



10. The following diagram represents equilibrium position of a firm under perfect competition.



Label the parts represented by the letters a,b,c, and d

- a)
 b)
 c)
 d)
11. State four circumstances under which air transport may be used to ferry goods (4mks)
 a)
 b)
 c)
 d)
12. On 1 January 2006, Mzalendo Traders sh.180000 in cash and sh.170000 at bank.
 During the month, the following transactions took place:
 2006
 January 10 paid ABM Traders sh.25, 000 by cheque less sh.1000 Cash discount.
 16 Sold goods for sh. 14,000 cash, less 5% discount
 31 Banked all the cash except sh.5200
 Enter the above transactions in cash book extract given below and balance it off.(5mks)

DR					CASH BOOK EXTRACT				CR	
Date	particulars	Discount allowed	cash	Bank	Date	Particulars	Discount received	Cash	Bank	
		Sh.	Sh.	Sh.			Sh.	Sh.		
	</									



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13. Outline four benefits to a business that uses its own warehouse. (4mks)

- a)
 b)
 c)
 d)

14. Identify the book of original entry used in recording each of the following transactions of Soya Traders. (4mks)

	Transaction	Book of original entry
(a)	Sold goods on credit to Wanjau for sh.20,000	
(b)	Bought goods on credit from Saipei Traders for 1000.	
(c)	A chieng returned goods worth sh.6000	
(d)	Soya returned goods worth sh.11000 to Nzome	

15. The following information related to Kerubo Traders for the year ended 31 December, 2006.

Sh.

Opening stock	24,000
Carriage on sales	12,000
Purchases	370,000
Sales	442,500
Closing stock	40,000

Other expenses 10% on Gross profit.

Prepare Trading profit and Loss Account for the year ended 31 December, 2006. (5mks)

.....

16. The average consumer price for a 500g container of cooking fat for various years is shown in the table below.

year	Consumer price Kshs.	Consumer price Index
2000	47	100
2001	53	-
2002	62	-
2003	74	-



Calculate the consumer price index using year 2000 as the base year

.(3mks)

17. State four ways that may be used to control the amount of money in circulation by the central Bank of Kenya. (4mks)
- a)
 - b)
 - c)
 - d)
18. Outline four differences between a good and a service. (4mks)
- a)
 - b)
 - c)
 - d)
19. Highlight four factors that could influence mobility of capital as a factor of production. (4mks)
- a)
 - b)
 - c)
 - d)
20. State four advantages of an open office layout to an organization. (4mks)
- a)
 - b)
 - c)
 - d)
21. Highlight four ways in which the running of public corporations may be improved. (4mks)
- a)
 - b)
 - c)
22. State four reasons why countries may decide to trade with each other. (4mks)
- a)
 - b)
 - c)
 - d)
23. Outline four benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4mks)
- a)



- b)
c)
d)
24. State four factors that could hasten the economic development of a country. (4mks)
a)
b)
25. Outline four elements that may comprise the external environment of a business. (4mks)
a)
b)



565/2

Business studies

Paper 2

Octo. /Nov. 2007

2 ½ hours.

1. a) Explain six reasons why a new business may fail (12mks)
b) Explain four advantages of transaction business through e-commerce. (8mks)
2. a) Explain six sources of government revenue for development expenditure. (12mks)
b) Karani does not keep a complete set of accounting records. During the year ended 30 June 2006, the following balances were extracted from the books of accounts.

	Sh.
Stock	140,000
Land and buildings	500,000
Cash in hand	2500,000
Cash at bank	120,000
Credit	240,000
Long term loan	1400.000
Plant and machinery	600,000

Additional information:

- Karani drew sh. 140,000 from the business for private use.
 - Opening capital was sh.2000 000 as at 1 July 2005
 - Additional capital during the year was sh.120,000.
- i) Prepare statement of affairs for the year ended 30 June 2006
 - ii) Determine profit or loss for the year ended 30 June 2006
 3. a) explain five ways in which the Agriculture Finance Corporation(AFC)
b) Explain five factors that could affect the quantities of cabbages supplied in a market. (10mks)
 4. a) Explain five strategies that a small – scale firm could adopt to expand so as to enjoy economies of scale. (10mks)
b) Explain five benefits that could accrue to a customer who buys goods from a departmental store. (10mks)
 5. a) Discuss five reasons why less developed countries are reluctant in implementing free trade agreement. (10mks)
b) Draw a diagram to show how equilibrium price and output are determined under-monopoly. (10mks)
 6. a) Explain five features that you would consider in establishing a warehouse for imported goods. (10mks)
b) The following trial balance was prepared from the books of Mugambi Traders for the year ended 31 December 2005



Mugambi Traders
Trial Balance

	Dr Kshs	Cr Kshs
Land and buildings	500,000	
Capital		940,000
Plant & Machinery	200,000	
Motor Vehicles	300,000	
10 year bank loan		200,000
3 year ICDC loan		100,000
Stock	100,000	
Debtors	60,000	
Creditors		60,000
Accrued expenses		20,000
Cash at Bank	100,000	
Cash in hand	20,000	
Drawings	40,000	
	<u>1,320,000</u>	<u>1320,000</u>

Prepare

(i) A balance sheet for the year ended 31 December 2005

(ii) Determine

- Working capital
- Capital employed
- Borrowed capital

(10 marks)



BUSINESS STUDIES YEAR 2009 PAPER 1

1. State factors that may affect the geographical mobility of labour (4 mks)
2. Outline four ways in which commercial attaches may promote trade between their country and other countries (4 mks)
3. Amboseli Enterprises has been spending heavy on promotion for its products though its sales have consistently declined. Outline four measures that the company take to reverse the trend
4. Write the type of demand represented by each of the following statements
 - (i) Demand for a commodity causes an increase in demand for another Commodity
 - (ii) Demand for one commodity calls for demand of another commodity
5. The following balances were extracted from the books of Saku traders on 31 March 2008

Fixed assets	300,000
Current assets	123, 700
Creditors	84, 500
5 year loan	125,000

Determine the net worth of the business as at 31st March 2008 (4 mks)



6. Indicate the type of journal in which each of the following transaction would be recorded

	Transaction	Type of journal
(i)	Goods previously sold on credit were returned	
(ii)	Goods bought on credit	
(iii)	Goods sold for cash	
(iv)	Motor vehicle sold on credit	

(4 mks)

7. A trader has decided to take a loan to expand a manufacturing business. Give two reasons why it is beneficial to borrow from a non- bank financial institution

(4 mks)

8. State four items that usually appear the credit side of the current account of a country

(4 mks)

9. Outline four benefits that may accrue to a business from a country's political stability

(4 mks)



10. A lucrative manufacturing firm been constantly releasing toxic wastes into the neighborhood. Outline four measures you can take to stop the firm from such malpractice (4 mks)
11. Outline four factors that should be considered in the choice of a means of transporting perishable goods (4 mks)
12. Outline four circumstances which face to face communication may be ineffective (4 mks)
13. Highlight four benefits that would accrue to a firm located near other existing firms (4 mks)
14. Country X has been experiencing an upward trend in the price of petrol as a result of a rise in inflation. State four steps that can be taken to minimize expenditure on this product. (4 mks)
15. Outline four reasons why an increase in per capital income may not necessarily lead to a rise in the standard of living of the citizens (4 mks)
16. The bookkeeper of trade Traders extracted the following information from the accounting records

1.1 2007

31.12.2007



	Kshs	Kshs
Suppliers	465, 000	640,000
Discount received	-	12,000
Purchases returns	-	25,000

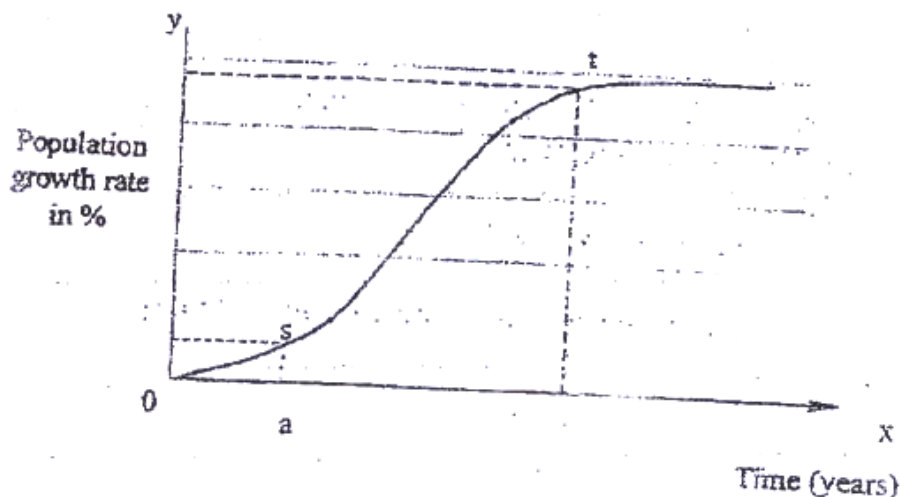
During the year ended 31.12.2007, suppliers were paid Kshs 1,500, 000 while cash purchases amounted to Kshs 800,000

Determine the purchases for the year (5 mks)

17. Outline four circumstances that would make an office manager to replace an existing machine with modern one (4 mks)

18. Outline four reasons why hypermarkets are becoming increasingly popular in Kenya (4 mks)

19. The graph below the rate of population growth of a given country



Outline four factors that may have contributed to the trend between 2006 and 2007

(4 mks)

20. Kazim maintains a petty cashbook on a weekly basis. The opening balance on 1st April 2007 the cash balance was Kshs 2,570

During the week of April, the following transactions took place

2007

April 2 Received reimbursement from the main cashier

3 Paid Kshs 3,070 for cleaning materials

4 Paid Kshs 2,000 bus fare

6 Bought stationery worth Kshs 2,200

Prepare a petty cashbook to record the above transactions using cleaning

stationery and bus fare columns

(5 mks)

21. Highlight four circumstances under which business enterprises may choose to

merge

(4 mks)

22. The following information relates to Maji Mazuri Traders as at 31. 12. 2008



Fixed assets	400,000
Stock	120,000
Current liabilities	60,000
Net profit for the current	100,000

Calculate:

- (i) Rate of return on capital employed
- (ii) Current ratio (4 mks)

23. Highlight four factors that must be considered before incurring public expenditure (4 mks)

24. Outline four benefits that accrue to the government as a result of privatization of public enterprises (4 mks)

(a)

(b)

(c)

(d)



25. KAMAT owned a motor vehicle valued at Kshs 1,000,000. He comprehensively insured the car at Kshs 800,000. The motor vehicle was involved and declared a write off. Calculate the amount KAMAT should get from the insurer.

(4 mks)



BUSINESS STUDIES PAPER 2 2009

1. (a) Explain five features of sole proprietorship form of business (10 mks)
 (b) Explain five measures that the government may take to improve the volume of exports (10 mks)
2. (a) Explain five demerits that may be associated with water transport (10 mks)
 (b) The trial balance of Zakayo Traders as at June 2008 is given below

	DR	Cr
	Kshs	Kshs
Stock	76, 500	
Creditors		450,400
Debtors	350,000	
Bank	260,400	
Fixed assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due		27, 200
	1., 777, 600	1, 777, 600

During the month, the following transactions took place

2008

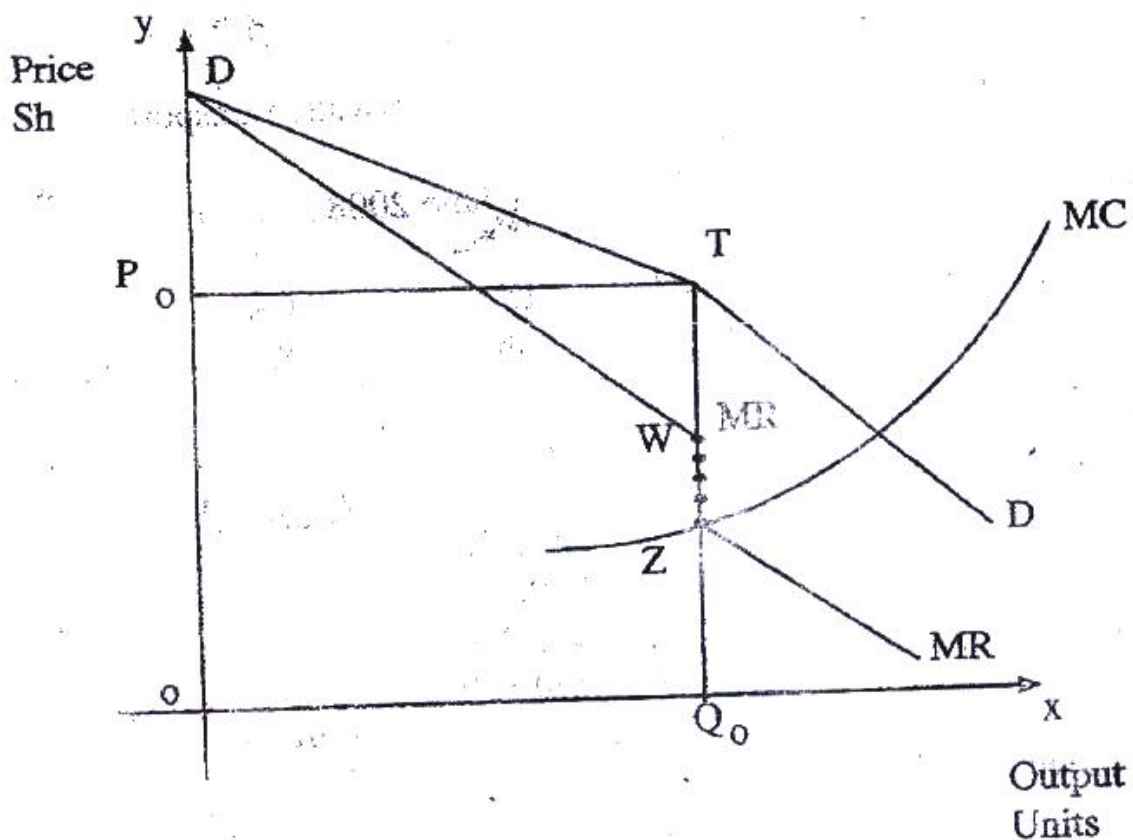
- June 5 Paid a creditor Kshs 228,000 by cheque in full settlement of a debt after deducting 5% cash discount.



- 15 Withdrew Kshs 100,000 from bank for office use
- 28 Received Kshs 160, 000 cash from a debtor after allowing cash discount of Kshs 40, 000

Record the above transactions in the relevant ledger accounts and balance then off. (10 mks)

3. (a) The diagram below shows an oligopolist kinked demand curve DD and current price and quantity at P and Q respectively.



- (i) Name the curve represented by the gap WZ
- (ii) State Why the curve WZ is vertical to price axis
- (iii) Advice when the oligopolist can raise and lower the price of the commodity

(10 mks)

- (b) Explain five ways in which the government of Kenya may reduce the level of unemployment

(10 mks)

4. (a) Using a diagram, explain the circular flow of income in a two sector economy

- (b) Analyze the following document issued by Sheikh Traders



Sheikh Traders		P.O Box 235Y		
		Nairobi		
		No. 4262		
		12 October 2008		
Debit				
Kamau Limited				
P.O Box Y 125				
MOLO				
Terms: 10 per cent one month on furniture only				
Quantity		Rate Kshs	Kshs	Kshs
60	Dinning tables mvuli	4,000	240,000	
4	Beds	2,000	8,000	
50	Coffee Tables	1,000	50,000	
			298,000	
	Less Trade discount 10%		29,800	268,200
4	Floor carpets	2,500	10,000	9,000
	Less Trade discount 10%		1,000	
	Carriage			7,500
	E & O.E		Total	284,700



Required:

- (i) Name the document above
 - (ii) Calculate the amount paid for the goods, if the debtor paid on 28th October 2008
 - (iii) Determine the net profit of the business if transaction (ii) above was Kshs 120,400 and the debtor paid for the goods on 15th November 2008
(10 mks)
5. (a) Explain four services that the central Bank of Kenya may offer as a Banker to commercial banks (8 mks)
- (b) Malamu Traders had the following balances s at 31 December 2008

	Kshs
Building	540,000
Bank Loan	472,500
Debtors	116,900



Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicles	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

(a) Profit and loss account for the year ended 31 December 2008

(b) Balance sheets as at 31 December 2008 (12 mks)

6. (a) The following table represents the price and quantity of a commodity

Month	Price	Quantity
January	80	2,000
February	40	5,000



- (i) Plot the above information on a graph (5 mks)
- (ii) Calculate the price elasticity of demand (5 mks)

- (b) Lunga, a sole trader, does not keep a complete set of accounting records.

Information extracted from the records are as follows

	1 January 2007	31 December 2007
	Kshs	Kshs
Stock	75,000	136,400
Pre- paid salaries	-	8, 000
Creditors	142, 500	158,400
Debtors	120,000	335,000
Furniture & Equipment	820,000	754,400
18% loan from bank	200,000	



Cash summary for the year was as follows

Cash Summary			
	Kshs		Kshs
Balance b/d	460,800	Payment to creditors	660,500
Bad debts	16,000	Loan (31/12/2007	50,000
Receipts from debtors	750,000	Salaries	48,000
		Purchases	135,400
		Interest on loan	30,000
		Balance c/d	302,900
	1,226, 800		1,226,800

Additional information:

- (i) Interest charged on debtors overdue accounts amounted to Kshs 2,000
- (ii) Bad debts written off amounted to Kshs 4,200

Prepare trading, profit and loss account for the year ended 31 December

2007

(10 mks)

