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)

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Level of production</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Mining</td>
<td></td>
</tr>
<tr>
<td>b) Oil refining</td>
<td></td>
</tr>
<tr>
<td>c) Insurance</td>
<td></td>
</tr>
<tr>
<td>d) Teaching</td>
<td></td>
</tr>
</tbody>
</table>

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)
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.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Bought machinery on credit</td>
<td></td>
</tr>
<tr>
<td>b) Withdrew cash from the business for person use</td>
<td></td>
</tr>
<tr>
<td>c) Purchased stock in cash</td>
<td></td>
</tr>
<tr>
<td>d) Paid outstanding loan by cheque.</td>
<td></td>
</tr>
</tbody>
</table>

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.
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>500,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>320,000</td>
</tr>
<tr>
<td>Opening stock(1.1.2005)</td>
<td>80,000</td>
</tr>
<tr>
<td>Closing 31.12.2005</td>
<td>40,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>140,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>90,000</td>
</tr>
</tbody>
</table>

Calculate

a) margin
b) Current ratio
c) Rate of stock turnover

19. Outline four benefits of direct taxation to the government.

a) .................................................................

b) .................................................................

c) .................................................................

d) .................................................................

20. State four factors that may cause inflation in an economy.

a) .................................................................

b) .................................................................

c) .................................................................

d) .................................................................

21. Outline four ways that the World Bank may use to assist developing countries to improve their economy.

a) .................................................................

b) .................................................................

c) .................................................................

d) .................................................................

22. State four problems that a planner may encounter in development planning.

a) .................................................................

b) .................................................................

c) .................................................................

d) .................................................................
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

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

   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:
   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.

<table>
<thead>
<tr>
<th></th>
<th>1.1.05</th>
<th>31.12.05</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>920,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>400,000</td>
<td>540,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>800,000</td>
<td>950,000</td>
</tr>
</tbody>
</table>

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)
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.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) A manager gives instructions to a supervisor in division</td>
<td>Vertical</td>
</tr>
<tr>
<td>(b) Rumours going around that the most disciplined workers will be rewarded.</td>
<td>Horizontal</td>
</tr>
<tr>
<td>(c) A manager issues a general circular to the employees</td>
<td>Formal</td>
</tr>
<tr>
<td>(d) Prefects discussing discipline in their school</td>
<td>Informal</td>
</tr>
</tbody>
</table>

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.

![Diagram of demand for petrol](attachment:diagram.png)
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)

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

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shows details of goods offered for sale.</td>
<td></td>
</tr>
<tr>
<td>(b) Give quantity, unit price and total amount to be paid.</td>
<td></td>
</tr>
<tr>
<td>(c) Shows transactions since the date of last statement.</td>
<td></td>
</tr>
<tr>
<td>(d) Shows description of goods bought, prices and amount paid.</td>
<td></td>
</tr>
</tbody>
</table>
10. The following diagram represents equilibrium position of a firm under perfect competition.

![Diagram of equilibrium position 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) .................................................................


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)

<table>
<thead>
<tr>
<th>DR</th>
<th>CASH BOOK EXTRACT</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Date</td>
<td>particulars</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

www.kenyanexams.com
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)

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Book of original entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Sold goods on credit to Wanjau for sh.20,000</td>
<td></td>
</tr>
<tr>
<td>(b) Bought goods on credit from Saipe Traders for 1000.</td>
<td></td>
</tr>
<tr>
<td>(c) A chieng returned goods worth sh.6000</td>
<td></td>
</tr>
<tr>
<td>(d) Soya returned goods worth sh.11000 to Nzome</td>
<td></td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Book of original entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Sold goods on credit to Wanjau for sh.20,000</td>
<td></td>
</tr>
<tr>
<td>(b) Bought goods on credit from Saipe Traders for 1000.</td>
<td></td>
</tr>
<tr>
<td>(c) A chieng returned goods worth sh.6000</td>
<td></td>
</tr>
<tr>
<td>(d) Soya returned goods worth sh.11000 to Nzome</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>year</th>
<th>Consumer price Kshs.</th>
<th>Consumer price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>47</td>
<td>100</td>
</tr>
<tr>
<td>2001</td>
<td>53</td>
<td>-</td>
</tr>
<tr>
<td>2002</td>
<td>62</td>
<td>-</td>
</tr>
<tr>
<td>2003</td>
<td>74</td>
<td>-</td>
</tr>
</tbody>
</table>
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.
   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) ………………………………………………………………………………………………………
24. State four factors that could hasten the economic development of a country. (4mks)
   a) ...........................................................................................................
   b) ...........................................................................................................
   c) ...........................................................................................................
   d) ...........................................................................................................

25. Outline four elements that may comprise the external environment of a business. (4mks)
   a) ...........................................................................................................
   b) ...........................................................................................................
1. a) Explain six reasons why a new business may fail
   b) Explain four advantages of transaction business through e-commerce.

2. a) Explain six sources of government revenue for development expenditure.
    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.

       | Description           | Amount (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. 2,000,000 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.

4. a) Explain five strategies that a small – scale firm could adopt to expand so as to enjoy
    economies of scale.
    b) Explain five benefits that could accrue to a customer who buys goods from a
       departmental store.

5. a) Discuss five reasons why less developed countries are reluctant in implementing
    free trade agreement.
    b) Draw a diagram to show how equilibrium price and output are determined under
       monopoly.

6. a) Explain five features that you would consider in establishing a warehouse for
    imported goods.
    b) The following trial balance was prepared from the books of Mugambi Traders for
       the year ended 31 December 2005.
Mugambi Traders  
Trial Balance

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

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

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Type of journal</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Goods previously sold on credit were returned</td>
<td></td>
</tr>
<tr>
<td>(ii) Goods bought on credit</td>
<td></td>
</tr>
<tr>
<td>(iii) Goods sold for cash</td>
<td></td>
</tr>
<tr>
<td>(iv) Motor vehicle sold on credit</td>
<td></td>
</tr>
</tbody>
</table>

(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 capita 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
<table>
<thead>
<tr>
<th></th>
<th>Kshs</th>
<th>Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>465,000</td>
<td>640,000</td>
</tr>
<tr>
<td>Discount received</td>
<td>-</td>
<td>12,000</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>-</td>
<td>25,000</td>
</tr>
</tbody>
</table>

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 a modern one (4 mks)

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

19. The graph below shows the rate of population growth of a given country.
Outline four factors that may have contribute to the trend between s and t

(4 mks)

20. Kazim maintains a petty cashbook on a weekly interest of Kshs 13,000 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 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

23. Highlight four factors that must be considered before incurring public expenditure

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

(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)
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

<table>
<thead>
<tr>
<th></th>
<th>DR</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kshs</td>
<td>Kshs</td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>76,500</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>450,400</td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>350,000</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td>260,400</td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>970,200</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>120,500</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>1,300,000</td>
<td></td>
</tr>
<tr>
<td>Lighting due</td>
<td>27,200</td>
<td></td>
</tr>
</tbody>
</table>

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.

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

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Item Description</th>
<th>Rate Kshs</th>
<th>Kshs</th>
<th>Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>Dinning tables mvuli</td>
<td>4,000</td>
<td>240,000</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Beds</td>
<td>2,000</td>
<td>8,000</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>Coffee Tables</td>
<td>1,000</td>
<td>50,000</td>
<td>298,000</td>
</tr>
<tr>
<td></td>
<td>Less Trade discount 10%</td>
<td></td>
<td>29,800</td>
<td>268,200</td>
</tr>
<tr>
<td>4</td>
<td>Floor carpets</td>
<td>2,500</td>
<td>10,000</td>
<td>9,000</td>
</tr>
<tr>
<td></td>
<td>Less Trade discount 10%</td>
<td></td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carriage</td>
<td></td>
<td></td>
<td>7,500</td>
</tr>
<tr>
<td></td>
<td>E &amp; O.E</td>
<td></td>
<td>Total</td>
<td>284,700</td>
</tr>
</tbody>
</table>
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

5. (a) Explain four services that the central Bank of Kenya may offer as a Banker to commercial banks

(b) Malamu Traders had the following balances at 31 December 2008

<table>
<thead>
<tr>
<th></th>
<th>Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>540,000</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>472,500</td>
</tr>
<tr>
<td>Debtors</td>
<td>116,900</td>
</tr>
</tbody>
</table>
Creditor 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

<table>
<thead>
<tr>
<th>Month</th>
<th>Price</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>80</td>
<td>2,000</td>
</tr>
<tr>
<td>February</td>
<td>40</td>
<td>5,000</td>
</tr>
</tbody>
</table>
(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

<table>
<thead>
<tr>
<th></th>
<th>1 January 2007</th>
<th>31 December 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock</td>
<td>75,000</td>
<td>136,400</td>
</tr>
<tr>
<td>Pre-paid salaries</td>
<td>-</td>
<td>8,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>142,500</td>
<td>158,400</td>
</tr>
<tr>
<td>Debtors</td>
<td>120,000</td>
<td>335,000</td>
</tr>
<tr>
<td>Furniture &amp; Equipment</td>
<td>820,000</td>
<td>754,400</td>
</tr>
<tr>
<td>18% loan from bank</td>
<td>200,000</td>
<td></td>
</tr>
</tbody>
</table>
Cash summary for the year was as follows

Cash Summary

<table>
<thead>
<tr>
<th></th>
<th>Kshs</th>
<th></th>
<th>Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance b/d</td>
<td>460,800</td>
<td>Payment to creditors</td>
<td>660,500</td>
</tr>
<tr>
<td>Bad debts</td>
<td>16,000</td>
<td>Loan (31/12/2007)</td>
<td>50,000</td>
</tr>
<tr>
<td>Receipts from debtors</td>
<td>750,000</td>
<td>Salaries</td>
<td>48,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Purchases</td>
<td>135,400</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Interest on loan</td>
<td>30,000</td>
</tr>
<tr>
<td>Balance c/d</td>
<td></td>
<td>302,900</td>
<td></td>
</tr>
</tbody>
</table>

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)