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Date _____

Candidates' signature _____

565/1

Business Studies

Paper 1

July/ August 2014

2 Hours

KILUNGU DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

2 hours

INSTRUCTIONS

Answer all the questions in the space provided

This paper consists of 6 printed pages

Turn over

1. Outline four factors that might have encouraged entrepreneurship in the recent times. (4 marks)
- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

2. State four ways through which the central bank acts as a banker to the government. (4 marks)
- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

3. In each of the transaction below, indicate in the appropriate columns the source document and the books of original entry in which the transaction should be recorded. (4 marks)

Transaction	Source of document	Books of original entry
(a) Purchase of goods on credit.		
(b) Goods returned by a customer.		
(c) Payment to a creditor		
(d) Sale of goods on credit		

4. Outline four adverse effects of dumping on an economy. (4 marks)
- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

5. The following information was extracted from the books of Othaya traders.

	Ksh
Opening stock	160,000
Closing stock	200,000
Purchases	1,800,000
Margin	20%

Calculate Othaya's sale (4 marks)

6. Highlight four differences between a bonded warehouse and a private warehouse. (4 marks)

(i) _____

(ii) _____

(iii) _____

(iv) _____

7. State four features of insurable risks. (4 marks)

(i) _____

(ii) _____

(iii) _____

(iv) _____

8. On 31st December 2011 Mutua’s account disclosed the following transactions.

	Ksh
Stock on 1 Jan 2011	50,000
Purchases	80,000
Stock on 31 Dec 2011	6,000
Returns inwards	4,000
Returns outwards	5,000
Carriage inwards	2,000
Sales	200,000
Discount allowed	3000
Salaries	10,000

Required:

Prepare a trading account (5 marks)

9. State four characteristics of oligopolistic market. (4 marks)

(i) _____

(ii) _____

- (iii) _____
 (iv) _____

10. Outline four measures which the Kenya government can take to solve the unemployment problem. (4 marks)

- (i) _____
 (ii) _____
 (iii) _____
 (iv) _____

11. Highlight four features of public corporation. (4 marks)

- (i) _____
 (ii) _____
 (iii) _____
 (iv) _____

12. State four differences between a market stalls and single shops. (4 marks)

Market stalls	single shops
(i)	
(ii)	
(iii)	
(iv)	

13. Identify the type of error made in recording each of the following transaction. (4 marks)

Transaction	Type of error.
(i) The amount in an invoice for goods purchased was recorded in the books as ksh 5000 instead of ksh 50,000	
(ii) Purchases of office equipment was debited in purchase account .	
(iii) Despite agreement of the trial balance sales and purchases had been overstated by sh 3000 in each case.	
(iv) A debtor for sh 2000 settled his account in cash less 10% discount. The consequent double entry made in the books was in respect of cash received only	

14. In the table below indicate the type of office equipment to match the function given. (4 marks)

Function	equipment
(a) Sending and receiving written messages	

(b) Sending and receiving verbal messages	
(c) Sending and receiving copies of messages	
(d) Sending messages one way only.	

15. State four reasons why ethical practice is necessary in product promotion. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

16. State the meaning of the following Accounting terms. (2 marks)

- (i) Contra entry

- (ii) Cash discount

17. Highlight four ways in which a business idea can be implemented. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

18. State features of public limited company. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

19. “Hello, customer bank in your mobile phone” Barclays bank continue advertising in spite of its popularity in the country. State four reasons for continued advertising by the Barclays bank. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

20. In each of the following case name the type of inflation described.

Description	Type of inflation
-------------	-------------------

(a) Arise in price due to increase in prices of factors of production	
(b) A rise in prices due to increase in money supply.	
(c) Arise in price due to buying expensive goods from foreign countries .	
(d) Arise in prices due to an even growth in some sectors of the economy.	

21. List four characteristics of man made resources. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

22. For each of the following statements, state whether it's true or false as regards circular flow of income in a four sector closed economy. (4 marks)

- (i) Firms and houses holds do not pay tax to the government _____
- (ii) Households save part of their income in banks and other institutions _____
- (iii) Firms receive payments from export abroad _____
- (iv) Business firms turn to commercial bank to raise capital _____

23. Highlight four roles played by county governments in promoting trade. (4 marks)

- (i) _____
- (ii) _____
- (iii) _____
- (iv) _____

24. The following balances were obtained from the books of Cathy traders on 30.06.2012

	Sh
Plant and machinery	1,400,000
Turn over	1,540,000
Interest on loan	200,000
Prepaid rent	70,000
Accrued salaries	353,440
Fixtures and furniture	500,000
Gross profit	427,260
Repair on motor vehicle	150,00

Prepare a trial balance of Cathy traders for the month ended 30.06.2012 (4 marks)

$$\text{Margin} = \frac{\text{sales} - \text{CoGs}}{\text{Sales}}$$

$$\frac{20}{100} S = S - (160,000 + 1800,000 - 200,000)$$

$$= S - 1760,000$$

$$80\% S = 1760,000$$

$$S = \frac{1760,000 \times 100}{80}$$

$$= \text{ksh } 2,200,000$$

Or

$$\text{Mark up} = \frac{\text{Gp}}{\text{CoGS}}$$

This paper consists of 4 printed pages

Turn over

$$\text{CoGs} = 160,000 + 1800,000 - 200,000 + 176,000$$

$$\text{Mark up} + \frac{1}{5} - 1 + \frac{1}{4}$$

$$\frac{1}{4} + \text{GP} = 176,000 \times \frac{1}{4} + \text{GP}$$

$$176,000 = 440,000$$

$$\text{Sales} = \text{CoGs} + \text{GP}$$

$$= 176,000 + 440,000$$

$$= \text{sh. } 2,200,000$$

8 x 1/2 = 4 marks

6. bounded warehouse | private warehouse
- | | |
|--|--|
| <ul style="list-style-type: none"> - Storage of dutiable goods which have not been cleared - Supervised by government officials - Releases warrant required - Located near ports/points of entry | <ul style="list-style-type: none"> - storage of non-dutiable goods - managed and supervised by owners - no release warrant required - located at production points |
|--|--|
- 4 x 1 = 4 marks
7.
 - Must face large number of people.
 - Occurrence of risk should be assessed mathematically.
 - Occurrence of risk must be accidental not deliberate.
 - Not catastrophic.
 - Loss should be significant to justify insurance.
 - Should suffer financial loss.

4 x 1 = 4 marks

8. Mutua trading account
 For the year ended 31st Dec 2011

	Sh		sh.
Opening stock	500,000	sales	200,000
Add purchase	80,000	less returns in	4000
Add carriage in	2000		196000
	82000		
	132,000		
Less returns outside	5000		
CoGs	127,000		
Less closing stock	6000		
COGS	121,000		
Gross profit	75,000		
	196,000		196,000

10 x 1/2 = 5marks

9. - Few sellers.
- there is interdependence in decision making.
- Firms are faces with linked demand curve
- Engage in non-price competition.
- product have close substitute 4 x 1=4 marks
10. - Control population growth.
- Encourage self employment.
- Provide capital for people to set up business.
-Encourage use of labour intensive methods of production.
-Encourage investments in the country.
- Encouragers people to seek jobs outside the country. 4 x 1=4 marks

11. - Established by an act of a parliament.
- Intial capital is provided by the government.
2.
- Members of the board of directors are appointed by the government.
- Mainly formed to provide essential goods and services to the public. 4 x 1=4 marks

12.

market stalls	Single shops
Are small shops mostly found in designated market	Are small shops that are located in residential areas or big towns.
Stock limited range of goods	Stock relatively wide variety of goods
Customers have to travel to the centre to get the needed good	Provide the needed market goods within easy reach of their customers
Operate only on certain days of the week	Operate throughout the week
Do not offer credit facilities to any of their customers	Offer credit facilities to some of their customers

13. (i) Original entry
(ii) Principle
(iii) Compensation
(iv) Omission 4 x 1=4 marks

14. (i) Telex
(ii) Telephone
(iii) Fax machine
(iv) Pager 4x1=4 marks

15. (i) to encourage selling of quality goods.
(ii) To safeguard cultural practices.
(iii) To encourage disclosure of information about the product.
(iv) To enclosure compliance with existing government legislation.
(v) To curb environmental degradation.
(vi) To safeguard competitors in the market.
(vii) To safeguard consumers against misleading adverts. 4 x 1= 4 marks

16. (a) a transaction affecting both sides of two of three column cash book simultaneously.(2 marks)
(b) Allowances or reduction given to buyer for making prompt payments. (2 marks)

17. - Creating a new good.
 - Improving on an existing good.
 - Improving the process of production.
 - Improving the marketing strategies.
 - Improving the quality of services.
 - Improving the quality of goods.
 4 x 1=4 marks
18. - formed by a minimum of 7 members.
 - No maximum number of memberships.
 - Cannot start business before it receives certificate of trading.
 - Accounts are required to be published.
 - Shares and debenture are freely transferable/ invites members of the public to subscribe for share and debtors.
 4 x 1=4 marks
19. - To introduce new product/service in the market.
 - To widen/ expand/ attract more customers.
 - To promote the image / name of the bank.
 3.
 - To announce changes in their products/service.
 4 x 1= 4marks
20. - Cost push inflation.
 - Demand pull inflation.
 - Cost push inflation.
 - Imported inflation.
 4 x 1=4 marks
21. - Scarce in supply.
 - Unevenly distributed.
 - Can change ownership.
 - Can be complimentary.
 - Have money value.
 - Have utility.
 - Can be combined.
 4 x 1=4 marks
22. - false
 - True.
 - False
 -true
 4 x 1=4 marks
23. - Advertising business prospects in their countries.
 - Provision of free/ cheap land.
 - Establishment of infrastructure.
 - Organizing shows and trade fairs.
 - Organizing foreign trips.
 4 x 1=4 marks

24. **Cathy traders**
Trial balance
 As at 30.06.2012

	Dr	Cr
Plant and machinery	1,400,000√	

Turn over		1,540,000√
Interests on loan	200,000√	
Prepaid rent	70,500√	
Accrued salaries		353,440√
Fixture and furniture	500, 200√	
Gross profit		427 260√
Repair on motor vehicle	<u>150,000√</u>	
	<u>2,320,700</u>	<u>2,320,700</u>

8 x 1/2 = 4 marks

25. -Level of technology.
 - Prevailing economic conditions.
 - Legal-political factors.
 - Competition
 - Society culture.
 - Demographic factors.
 - Physical factors.

3 x 1=3 marks

4.

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Business Studies

Paper 2

July/ August 2014

2 1/2 Hours

KILUNGU DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

2 1/2 hours

INSTRUCTIONS

Answer any five questions.

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Turn over

1. (a) Toyota motor company has embraced the use of E-commerce in its business transactions. Explain five benefits it would realize due to this move. (10 marks)
- (b) Explain the importance of the following documents used in home trade.
- (i) Delivery note. (2 marks)
 - (ii) Package note (2 marks)
 - (iii) Consignment note (2 marks)
 - (iv) Advice note (2 marks)
 - (v) Acknowledgement note (2 marks)
2. (a) The following are the balances for Wote distributors company for the year ended 31.12. 2012.
- | | |
|-------------------|---------|
| Capital | ? |
| Stock | 4000 |
| Drawings | 32000 |
| Furniture | 70,000 |
| Commission earned | 800 |
| Debtors | 13,000 |
| Sales | 180,000 |
| Bank | 23,000 |
| Carriage inwards | 1400 |
| General expenses | 5200 |
| Discount allowed | 8500 |
| Purchases | 160,000 |
| Creditors | 8000 |
| Wages | 4600 |
| Long term loan | 1800 |
| Rent income | 4800 |

Cash	6000
Stock (31.12.2011)	8000
Carriage outwards	1700
Returns inwards	910
Returns outwards	850
Additional investments	3800
Land	8500
Over draft	4100

- (i) Draw their trading profit and loss account. (6 marks)
(ii) Draw their balance sheet and show the amount of their opening capital. (6 marks)

(b) Draw four differences between personal selling and advertising. (8 marks)

3. (a) Unemployment has been cited as one of the economic problems facing Kenya. Explain five causes of unemployment in Kenya. (10 marks)
(b) Explain five factors should consider when designing an office. (10 marks)

4. (a) Inflation is detrimental to economic growth and development to a country. Explain five factors to support this statement. (10 marks)

(b) The following transactions relate to Mali Mali traders for the month of March 2014.
2 March : received sh 19000 cash from Mutua after allowing 5% cash discount.
3 March : paid Mueni sh 8,800 and Muli sh 11,000 in cash after deducting 12% cash discount.

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4 March: banked sh 5600 from office cash .
6 March: took sh 3800 cash for personal use.
9 March: Mutuku settled his account of sh 35,000 by cheque less 2% cash discount.
10 March: Kioko paid sh 38,000 by cheque to clear his account of sh 40,000
15 March: bought goods sh 23,500 and paid by cheque

Prepare Malimali traders

- (i) Cash payment journal (5 marks)
(ii) Cash receipt journal (5 marks)

5. (a) Explain the meaning of the following terms as used in insurance. (2 marks)
(i) Comprehensive policy (2 marks)
(ii) Term assurance policy (2 marks)
(iii) Indemnity (2 marks)
(iv) Average clause (2 marks)
(v) Double insurance (2 marks)

(b) XY company operates as a monopolist in Kenya. Explain five factors that may have made the firm acquire monopoly power.(10 marks)

6. (a) Explain five characteristics of land as a basic factor of production. (10 marks)

(b) The table below shows the growth rate of GDP of country between 2009 and 2012.

Years	Growth rate of GDP %
2009	2%
2010	2.5%

2011	3.5%
2012	5%

Give five reasons that may account for the trend in GDP reflected in the table.

(10 marks)

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3.

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Business Studies

Paper 2

July/ August 2014

KILUNGU DISTRICT FORM 4 JOINT EXAMINATION

Kenya Certificate of Secondary Education

Business Studies

Marking scheme

- Wide access to world market because many countries are connected to the internet.
 - No restriction /discrimination in transaction since both small and large business transact through internet.
 - save no time since it is a fast way of transacting business online and therefore urgent transactions can be out.
 - reduced paper work since dealings are online.
 - less cost of sending, receiving and storing information and product.
 - wide access of information on other products and business online to enhance operations.
 - Delivery note - is an evidence of the delivery of goods sent by the seller to the buyers.
 - package note –helps the buyer to make a spot check on goods when they arrive.
 - Consignment note-Acts as evidence that the goods were actually transported.
 - Advice note- Alerts the buyer that goods have been dispatched so as to make arrangements

to receive them, arrange for payments when goods arrive or inquire in event of delay.
 -Acknowledge note – confirms to the buyer that the order has been received and is being processed.
 (5 x2=10 marks)

2. (a) (i) **Wote distributors**
Trading profit and loss A/c
For the year ended 31.12.2012

	Sh		sh
Opening stock	8000√	sales	180,000√
Add purchases	16000√	less returns	910√
Add carriage inwards	1400√		
	169400		
Less returns outwards	850√		
CO GAS	168 550		
Less closing stock	4000√		
	164 550		
Gp c/d	14540√		
	179090		179 090
<u>Expenses</u>		Gp b/d	14540
General expenses	5200√	commission earned	800√
Discount allowed	8500√	rent income	4800√
Wages	4600√		
Carriage outwards	1700√		
N.p c/d	140√		
	20140		20140
		N. p b/d	140
			18 x1/3 =6 marks

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Turn over

(ii) **Wote distributors**
Balance sheet
 As at 31.12.2012

	Sh		sh
<u>Fixed asset</u>		capital	138660√√
Furniture	70,000 √	add net profit	140
Land	850√	add investment	3800
	78,500		142 600
		Less drawing	32000
			110,600√
<u>C.assets</u>		<u>L.T.L</u>	
Stock	4000√	loan	1800√
Debtors	13000√		
Bank	23000√	<u>C.L</u>	
Cash	6000√	creditors	8000√
	46000	Over draft	4100√
	124 500		12100
			124 500

(b) 12 x¹/₂ =6 marks

Personal selling	Advertising
Make use of persons to pass message	Make use of non-personal means eg mass media to

	pass message.
There is immediate feed back	Feed back may be long term.
Has limited coverage	Has wide coverage
Appropriate for specific type of goods eg technical goods	Appropriate for a wide range of goods eg those consumed by the general public.
There is room to demonstrate the use of goods	Most media used for advertising do not cater for demonstration on use of goods.

4x2= 8 marks

3. (a) – Rapid population growth which results to an increase in number of people without gainful employment.
- Changes in seasons particularly in the agricultural sectors / tourism sector.
 - introduction of capital intensive methods of production replacing manual labour.
 - Inadequate resources required for production to be carried out.
 - The education system may not be appropriate for job creation since most people undergo training for collar jobs which may not be available.
 - People may be too selective when choosing the jobs they want which may not be available in the market.
 - mismanagement of resources/ corruption/ poor planning by the government may lead to unemployment due to poorly invested fund/embezzlement of funds .
 - Introduction of new products that replace existing ones eg synthetic fibres to replace natural fibres
 - over-reliance of few sectors of the economy as a source of employment

5 x2=10 marks

- (b) –cost of construction should be affordable.
- size of the staff in order to avoid overcrowding or unnecessary free space.
 - maintenance and running cost should be within reach.
 - nature of these organizations work to decide the most appropriate layout.
 - effects on staff morale to avoid negative impact on performance.
 - space available to determine if it is adequate.
 - security for office/ personal property to avoid loss/damage.

2.

- flexibility for ease of redesigning and reorganization.
- legal requirements to abide with the law.

5 x2=10 marks

4. (a) – discourages saving people tend to spend money they have rather than save due to the falling value of money.
- increase in interest rates to compensate lenders for the fall in value of money.
 - People with fixed income are hard-hit because of increased cost of living.
 - lenders loose. Lenders of money receive less value of the money they advanced to debtors.
 - May leads to social-political unrest due to high cost of living.
 - Worsen balance of payment. Exports become more expensive leading to fall in demand for export as people may prefer to buy cheaper imports.
 - Uneven distribution of incomes with the rich becoming richer.
 - Unemployed and low income earners are hard –it since they may not be able to afford the basics due to rising prices.
 - Loss of confidence in the local currency which may necessitate change of currency.
 - Adverse effect on investment due to increased cost of operation.
 - Reduced job creation due to reduced production activities/ closure of firms.

5 x2=10 marks

(b) (i)

Cash payment journal

Date	Details	Discount received	Cash	bank
3.3.14	Mueni	1200√	8800√	
3.3.14	Muli	1500√	11,000√	
4.3.14	Bank		5600√	
6.3.14	Drawings		3800√	
15.3.14	purchase			23 500√
		2700√	29200√	23 500√

10 x 1/2 = 5 marks

(ii)

Cash receipt journal

Date	Details	Discount allowed	Cash	Bank
2.3.14	Mutua	1000√	1900√	
4.3.14	Cash			5600√
9.3.14	Mutuku	700√		34 300√
10.3.14	Kioko	2000√		38 000√
		3700√	19000√	77900√

10 x 1/2 = 5 marks

NB. Details must be correct to award a tick .

5. (a)- Comprehensive policy- is a motor policy which covers all possible risks that may occur out of operating motor vehicle eg damage of the car, property and people in the car etc.(2 marks)
- Term assurance policy – is a policy a proposer insure his life against death for a short period eg one month.
 - Indemnity- is the exact financial compensation that is paid when the insured suffers loss/ is the restoration of the insured who suffers loss to his former financial position.(2 marks)
 - Average clause –provides that the insured can only recover such properties of the loss as the value of the policy bears on the value of the property insured.(2 marks)
 - Double insurance - is the insuring a property with more than one insurance company on the same risk.(2 marks)

5 x 2=10 marks

3.

(b) – Secretive production technique that denies other forms the use of the technique in production.

- Control over strategic raw materials this makes the firm to have sole access to raw materials used in the production of the commodity.
- Large initial capital that other firms may not be able to raise leaving the field to one firm.
- Greater economies of scale that enables the firm to produce at lower cost than the other firms.
- Legal rights of production on a particular product by the government shutting out competition.
- Amalgamation of firm to become only one hence eliminating competition.
- Size of the market. When the market is economically served by one firm other firms entering the market may make losses due to low sales hence the firm remain one.
- Copy right which bars other firms from producing the product.

5 x 2=10 marks

6. (a) – It is a gift of nature since man has no ability to create it.
- It is fixed in supply since it can not be increased beyond what nature has provided.
 - It is geographically immobile since it can not be moved from one geographical area to another.
 - It is occupationally mobile since it can be put into different uses.
 - Its productivity can be improved by increasing quantity and quality of capital.

- It is subject to the law of diminishing marginal returns.
- Quality of land is not homogenous since productivity of one piece of land is different from that of another.

5 x2=10 marks

(b) – Discovery of new resources in the country eg mineral resources.

- Maximum and optimal utilization of the existing resources in the country.
- Increased level of saving in the country leading to high capital formation and hence high national income.
- Discovery and adoption of better technology.
- Increased investments domestically from foreign and local investors.
- Increase in the productivity of the people in the country.
- Political stability in the country.

5 x2=10 marks

4.

ANSWERS:

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