
KENYA NATIONAL EXAMINATION COUNCIL
REVISION MOCK EXAMS 2016
TOP NATIONAL SCHOOLS

MOI GIRLS SCHOOL ELDORET
BUSINESS STUDIES
THEORY
Paper 1

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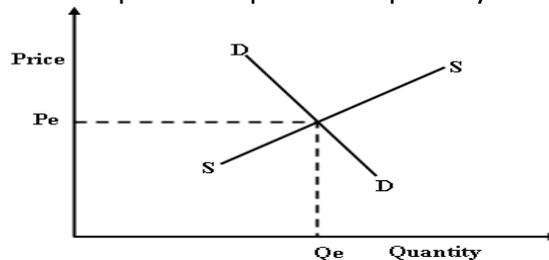
**MOI GIRLS SCHOOL ELDORET KCSE TRIAL
AND PRACTICE EXAM 2016**

Paper 1 565/1

BUSINESS STUDIES

2 Hours

1. Identify the macro-environmental factor affecting business operations as described by the following statements. (4mks)
 - (a) Laws and policies that regulate business activities
 - (b) Affects buyer's ability to buy commodities offered by a business
 - (c) Firms selling similar products trying to out do each other in their efforts to maximize profits
 - (d) Dictates how people live and what products they consume
2. Give **four** reasons why discounts are granted. (4mks)
3. Highlight **four** factors that must be considered before incurring public expenditure (4mks)
4. State **four** measures that can be taken to control cost push inflation. (4mks)
5. Give **four** characteristics of a partnership (4mks)
6. The diagram below shows equilibrium price and quantity.



Draw a new demand curve on the diagram above showing a decrease in demand and the effect on; (4mks)

- (i) equilibrium price
- (ii) equilibrium quantity
- (iii) equilibrium point
7. Give **four** reasons why it would be advisable to take an endowment policy instead of a whole life policy (4mks)
8. Highlight **four** disadvantages of a long chain of distribution to a buyer. (4mks)
9. Outline **four** differences between Economic growth and Economic development (4mks)

| Economic growth | Economic development |
|-----------------|----------------------|
| a) | a) |
| b) | b) |
| c) | c) |
| d) | d) |

10. Outline **four** limitations of National income statistics in comparing standards of living in different countries. (4mks)
11. Outline **four** features of Itinerant traders (4mks)
12. Identify the tax system described by the following statements. (3mks)
 - (a) Tax payers pay a fixed percentage of their income as tax.
 - (b) Amount of tax paid increases proportionately with increase in income
 - (c) Type of tax which takes a higher proportion of low income earners as compared to high income earners

13. The following are some of the documents used in International trade; Proforma Invoice, Consular Invoice, Certificate of origin and Indent. Match each document with the appropriate description in the table below. (4mks)

| | Description | Document |
|-----|---|----------|
| (a) | Prepared by an exporter giving details about the origin of goods | |
| (b) | Shows prices charged as certified by the importing country's officials | |
| (c) | An order sent by an importer to an agent in the exporting country | |
| (d) | Enables the importer to initiate clearing of customs duty early enough to avoid delays. | |

14. Outline **four** advantages of a systematic arrangement of goods in a warehouse. (4mks)

15. The information below was extracted from the books of Ssisa Stores for the year ended 31.12.2011

| | |
|---------------|------------|
| Opening stock | sh.75,000 |
| Closing stock | sh.25,000 |
| Turnover | sh.900,000 |

Margin 25%

Determine:

(5mks)

- (a) Gross profit
(b) Rate of Turnover

16. The following Trial balance was obtained from the books of East Traders for the year ended 30.06.2011

**East Traders
Trial Balance
As at 30.06.2011**

| Details | Debit (Shs.) | Credit (Shs.) |
|--------------|--------------|---------------|
| Gross profit | | 14,300 |
| Rent | 7,500 | 4,200 |
| Bad debts | 5,000 | |
| Commission | | 3,500 |
| Insurance | 2,000 | |
| Fixed Assets | 13,500 | |
| Capital | | 6,000 |
| | 28,000 | 28,000 |

Prepare East Stores profit and loss account

(4mks)

17. State **four** ways in which the government may promote local trade. (4mks)

18. Outline **four** features of oligopoly as a market structure (4mks)

19. For each of the following transactions identify the book of original entry in which the transaction should be recorded.

| | Transaction | Book of Original entry |
|-----|--|------------------------|
| (a) | Goods worth sh.4,000 returned by a client | |
| (b) | Goods were purchased for sh.120,000 on credit | |
| (c) | Returned goods worth sh.6,200 to the supplier | |
| (d) | Sale of office furniture worth sh.80,000 on credit | |

20. Outline **four** circumstances under which sign language would be appropriate. (4mks)

21. Outline **four** effects of an ageing population. (4mks)

22. Highlight **four** factors that inhibit entrepreneurial development. (4mks)

23. Outline **four** unethical issues in product promotion (4mks)

24. Give **four** incentives that a government may give investors to encourage development of firms in a certain area. (4mks)

25. Highlight **four** advantages of using M-banking. (4mks)