
FORM THREE TERM ONE EXAM 2017

BUSSINESS STUDIES PAPER 1

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BUSSINESS STUDIES PAPER 1

Time: 2 Hours

FORM 3

(KENYA CERTIFICATE OF SECONDARY EDUCATION)

- Write your name and Admission number in the spaces provided above
- Sign and write the date of examination in the spaces provided.
- Answer *all* the questions .(25 questions).
- All answers should be written in the spaces provided in this booklet.
- Candidates should answer all questions in English

FOR EXAMINERS USE ONLY

Question	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Marks														
Question	15	16	17	18	19	20	21	22	23	24	25			
Marks														

1. Identify four factors that influence the level of capital of a business enterprise. (4 marks)

2. Give four features of economic resources (4 marks)

3. Indicate with a tick (✓) in the appropriate column the business environment associated with each of the factors mentioned below. (4 marks)

	FACTOR	INTERNAL	EXTERNAL
i)	Government policy		
ii)	Technological environment		
iii)	Financial resources		
iv)	Firm structure		

4. State four reasons why people engage in business activities. (4 marks)

5. Outline four tools used by the government to influence the quantity of a product supplied in a market. (4 marks)

6. Highlight four factors that may be used to determine the size of a firm. (4 marks)

7. Indicate by writing the word “TRUE” or “FALSE” against the statement describing characteristics for goods and services. (3 marks)

	STATEMENT	TRUE or FALSE
a)	Goods are inseparable from their producers	
b)	Services can be standardized in form of size, appearance or quality	
c)	Services are experienced not owned	
d)	Goods are not always perishable	
e)	Services are highly perishable	
f)	Goods can change in value overtime	

8. The central bank is a banker to the government. Outline four banking services it provides to the Kenya government. (4 marks)

9. The following are types of advertising: Product advertising, competitive advertising, informative advertising and institutional advertising. In the table below, match each type with its appropriate description. (4 marks)

	TYPE OF ADVERTISING	DESCRIPTION
a)		Promotes the name of the manufacturer
b)		Persuades the consumers to buy a product
c)		Creates awareness about a product
d)		Promotes a particular brand of a product

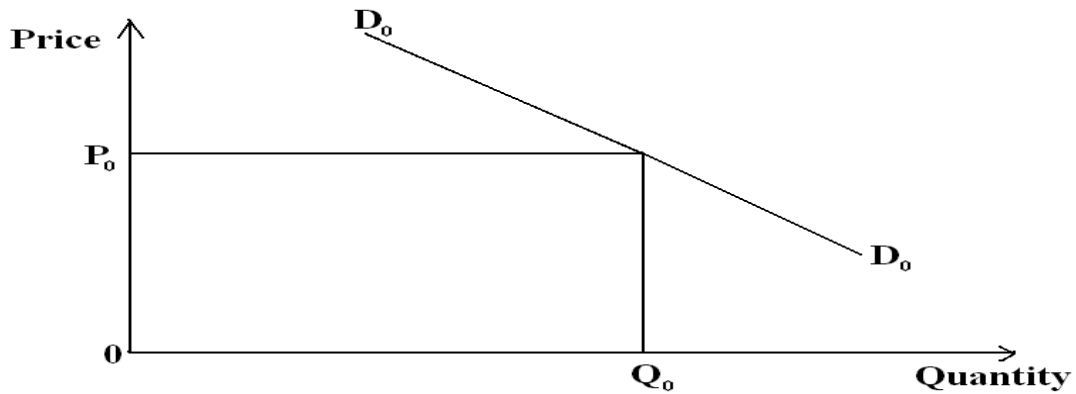
10. Outline four barriers to written communication. (4 marks)

11. For each of the following cases, name the motive for holding money. (4 marks)

	CAES	MOTIVE
a)	To meet daily bus fare expenses	
b)	To meet unexpected medical emergencies	

c)	To stock maize when prices fall	
d)	To meet daily food requirements	

12. The diagram below shows the current demands for petrol.



- a) What is the effect of an increase in the price of cars on demand for petrol. (2 marks)
- b) Draw a new demand curve on the diagram above to show the effect of an increase in price of cars. (2 marks)

13. State four reasons why few Kenyans take out life assurance policies. (4 marks)

14. For each of the transactions given below, indicate in the appropriate column, the source documents and the book of original entry in which the transaction is recorded. (4 marks)

	Transaction	Book of original entry	Source document
a)	Sale of tables on credit		
b)	Purchase of stock on credit		
c)	Goods returned by a customer		
d)	Payment to a creditor		

15. Outline four sources of a business idea. (4 marks)

16. Write down the international trade document that relate to each of the following statements

	STATEMENT	DOCUMENT

a)	Indicate the country of origin of the imported goods	
b)	A document of title to the goods traded in international trade	
c)	Used to demand for payment before delivery of goods	
d)	Facilitated an importer to obtain credit	

17. The financial period of Buteba Traders ends on 31st December every year. On 31st December 2015 the business had the following assets and capital.

Item	Sh.
Capital	24,000
Stock of goods	1,500
Debtors	2,000
Machinery	20,000
Cash	4,000

Required:

Calculate the total liabilities and prepare a balance sheet as at 31st December 2015. (4 marks)

18. Highlight four circumstances under which a country may be classified as underdeveloped. (4 marks)

19. Record the following transactions in the cash book of Jerussa Enterprises for the month of January 2011 and balance it off.

2011

Jan. 1: Cash in hand sh. 10,000, cash at bank sh. 20,000

Jan. 10: Paid Luke Sh. 8,800 and Joan sh. 11,000 after deducting 12% cash discount in each case by cheque

Jan. 30: Banked all the cash leaving sh. 1,200 in the cash box. (5 marks)

20. State four benefits that consumers get from small scale retailers. (4 marks)

21. The following information was obtained from the books of Okame Traders on 30th June 2015.

Opening stock 8,000

Purchases 53,000

Sales 62,900

Returns outwards 2,700

Closing stock 12,700

Prepare Okame Trading Accounts for the year ended 30th June 2015. (4 marks)

22. The following balances were extracted from the books of Mwambo wholesalers for the year ended 31st December, 2004.

Sales 500,000

Purchases 320,000

Opening stock 80,000

Closing stock 40,000

Debtors 140,000

Creditors 90,000

Calculate

a) Margin

b) Current ratio

c) Rate of stock turn over (4 marks)

23. The following statistics refer to a hypothetical economy. Use it to calculate the per capita income using the income approach. (4 marks)

	(Ksh in millions)
Total profits by entrepreneurs	800,000
Total rent received by landlords	130,000
Total interests earned by financial institutions	40,000
Total salaries paid by employees	-50,000
Total population	40

24. Give four features that differentiate a public corporation from a public limited company. (4 marks)

25. Highlight four undesirable effects of inflation to the Kenyan economy (4 marks)