
KENYA NATIONAL EXAMINATION COUNCIL

KCSE 2007

BUSINESS STUDIES PAPER 1

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Business Studies Paper 1

Name Index number

565/1
BUSINESS STUDIES
 Paper 1
 Oct./Nov. 2007
 2 hours

Candidate's signature

Date

THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education
BUSINESS STUDIES
Paper 1
 2 hours

*Write your name and index number in the spaces provided above.
 Sign and write the date of examination in the spaces provided above.
 Answer all the questions in the spaces provided.*

For Examiner's Use Only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

TOTAL
MARKS

This paper consists of 11 printed pages

Candidates should check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.

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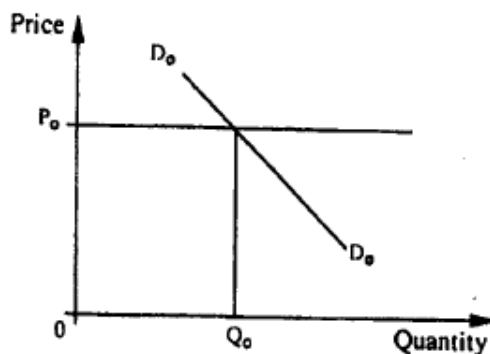
7101

Turn over

1. State **four** types of complaints that a consumer organisation may receive from consumers. (4 marks)
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. (4 marks)

	Statement	Terms
(a)	A manager gives instructions to a supervisor in her 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. (3 marks)
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. (4 marks)
5. The diagram below shows the current demand for petrol.



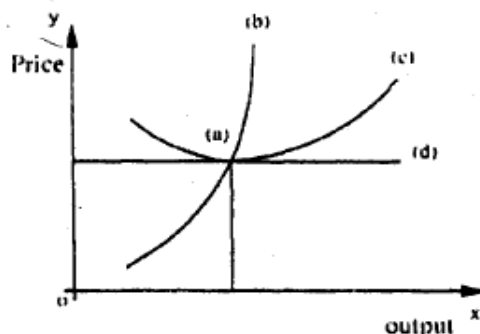
- (a) What is the effect of a fall in the price of cars on demand for petrol? (2 marks)
 - (b) Draw a new demand curve on the diagram above to show the effect of a fall in price of cars. (2 marks)
6. State **four** ways in which production activities may negatively impact on community health. (4 marks)
 7. Outline **four** negative effects of an ageing population to an economy. (4 marks)
 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. (4 marks)

	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 higher rates.	
(d)	Money may be deposited at any time and interest is 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. (4 marks)

	Description	Document
(a)	Shows details of goods offered for sale.	
(b)	Gives 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 total 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. (4 marks)

11. State four circumstances under which air transport may be used to ferry goods. (4 marks)

12. On 1 January 2006, Mzalendo Traders had sh. 18 000 in cash and sh. 170 000 at bank. During the month, the following transactions took place:

2006

January 10 Paid ABM Traders sh. 25 000 by cheque less sh. 1 000 cash discount.

16 Sold goods for sh. 14 000 cash, less 5% discount.

31 Banked all the cash except sh. 5 200.

Enter the above transactions in cash book extract given below and balance it off. (5 marks)

DR					CASH BOOK EXTRACT					CR	
Date	Particulars	Discount allowed	Cash	Bank	Date	Particulars	Discount received	Cash	Bank		
		Sh.	Sh.	Sh.			Sh.	Sh.	Sh.		

13. Outline **four** benefits to a business that uses its own warehouse. (4 marks)
14. Identify the book of original entry used in recording each of the following transactions of Soya Traders. (4 marks)

	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 sh. 10 000	
(c)	Achieng returned goods worth sh. 6 000	
(d)	Soya returned goods worth sh. 11 000 to Nzomo Traders	

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. (5 marks)

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

Year	Consumer Price Ksh	Consumer Price Index
2000	47	100
2001	53	—
2002	62	—
2003	74	—

- Calculate the consumer price index using year 2000 as the base year. (3 marks)
17. State **four** ways that may be used to control the amount of money in circulation by the Central Bank of Kenya (4 marks)
18. Outline **four** differences between a good and a service. (4 marks)

19. Highlight **four** factors that could influence mobility of capital as a factor of production. (4 marks)
20. State **four** advantages of an open office layout to an organization. (4 marks)
21. Highlight **four** ways in which the running of public corporations may be improved. (4 marks)
22. State **four** reasons why countries may decide to trade with each other. (4 marks)
23. Outline **four** benefits that accrue to a customer who uses automated teller machine (ATM) banking service. (4 marks)
24. State **four** factors that could hasten the economic development of a country. (4 marks)
25. Outline **four** elements that may comprise the external environment of a business. (4 marks)