**Name………………………………………………… Index No. …………………….**

**School ………………………………………………...**

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**2 HOURS**

Kenya Certificate of Secondary Education (K.C.S.E)

**565/1**

**BUSINESS STUDIES**

**PAPER 1**

**JULY / AUGUST**

**2 HOURS**

# INSTRUCTIONS TO CANDIDATES

* Answer ALL questions in the spaces provided.

*This paper consists of 12 printed pages.*

#### Candidates should check the question paper to ensure that all pages are printed as indicated

*and no questions are missing*

1. Outline four factors influencing the mobility of factors of production. (4mks)

a) ……………………………………………………………………………………………….

b) ………………………………………………………………………………………………..

c) ………………………………………………………………………………………………..

d) ………………………………………………………………………………………………...

2. In the spaces provided below, state the type of a wholesaler to which each of the statement relates. (4mks)

|  |  |
| --- | --- |
| **STATEMENT** | **TYPE OF A WHOLESALER** |
| (a) Deals in a wide goods from a given line of products |  |
| (b) Deals in a particular goods from a given line of products |  |
| (c ) Deals in a wide range of products and the products they deal with have distinct lines |  |
| (d) Specialise in selling particular products to other specialized wholesalers |  |

3. Identify four factors to be considered by the entrepreneur when determining the business opportunity viability. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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4. List four types of information that should be contained in an “Order Form” (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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5. The following information relates to the business of Mama Canteen enterprises.

Average stock shs. 60,000

Rate of stock turnover 3 times

Margin 25%

From the data above, determine

a) The cost of goods sold. (2mks)

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b) Gross profit (1mk)

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c) Sales (1mk)

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6. State four essentials of effective communication. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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7. Outline four advantages of an open office layout. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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8. Under what four circumstances can a retailer buy directly from a producer. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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9. Highlight four reasons why business organizations may amalgamate. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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10. Outline four sources of a public finance. (4mks)

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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11. Given below is a schedule of onions in Kibirigo market for a week.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| PRICE (SHS) | 20 | 23 | 25 | 33 | 40 |
| QUANTITY | 30 | 25 | 20 | 10 | 5 |

a) State the name of the schedule. (1mk)

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b) Derive a curve out of the above schedule. (3mks)

12. The table below shows types of ledger accounts of a business. In the spaces provided, indicate by a tick () whether each of the account should have a debit balance or credit balance. (4mks)

|  |  |  |
| --- | --- | --- |
| **Type of account** | **Debit** | **Credit** |
| a) Expense  b) Income  c) Asset  d) Liability | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

13. Highlight four methods that the Central Bank may use to control money supply in the country. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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14. Highlight four forms of after sales services provided by traders to their customers. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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15. The following information relates to the business of Wema Traders for the year ended 31st Dec. 2005.

Prepaid expenses at the beginning of year Shs. 12,000

Accrued expenses at the end of the year Shs. 38,000

Cash paid for the expenses in the period Shs. 140,000

Prepaid expenses at the end of the year. Shs.48,000

Determine expenses for the period. (4mks)

16. Outline four negative effects of inflation in the economy. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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17. Identify four factors that may limit the ability of a firm to expand. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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18. Masaba enterprises had a working capital of sh. 200,000 and a current ratio of 3:2 as at 30th April 2003.

Calculate the firm’s

1. Current assets
2. Current liabilities. (3mks)

19. The following balances were extracted from the books of Biashara Enterprises as at 1st January 2006. (4mks)

- Stock 30,000

- Creditors 30,000

- Debtors 25,000

- Cash at Bank 15,000

- Premises 190,000

- Capital 230,000

The following transactions took place in the month of January 2006.

* January 10th - Bought goods by cheque sh.5,000
* January 15th – Received from debtors shs.10,000 cash.
* January 20th - Paid creditors shs. 8,000 cash
* January 25th - Injected sh. 20,000 into the business from his personal savings.
* Prepare the balance sheet of Biashara Traders as at 31st January, 2006.

20. Differentiate between the following terms used in large scale organizations. (4mks)

|  |  |
| --- | --- |
| a) Natural growth  ………………………………………….  …………………………………………..  …………………………………………. | Amalgamation  …………………………………………………..  …………………………………………………..  …………………………………………………… |
| b) Absorption (Merger)  …………………………………………..  …………………………………………..  ………………………………………….. | Consolidation  ……………………………………………………  ……………………………………………………  …………………………………………………… |

21. List errors that are not revealed by a trial balance. (4mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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d) ………………………………………………………………………………………………...

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22. The following diagram represents demand and supply of a product.

a) Label the curves

a …………………………………………………………………

b ……………………………………………………………….

b) State what is represented by point c

…………………………………………………………………………………………………………………………………………………………………………………………………………

1. On the diagram, indicate equilibrium price (PE) and equilibrium Quantity (QE).

(5mks)

23. From the following information given by Minto Limited prepare an analytical petty cash book by January 2007. The reimbursement is made at the beginning of the month so that the opening balance sh. 10,000.

1.1.2007 Opening balance 10,000

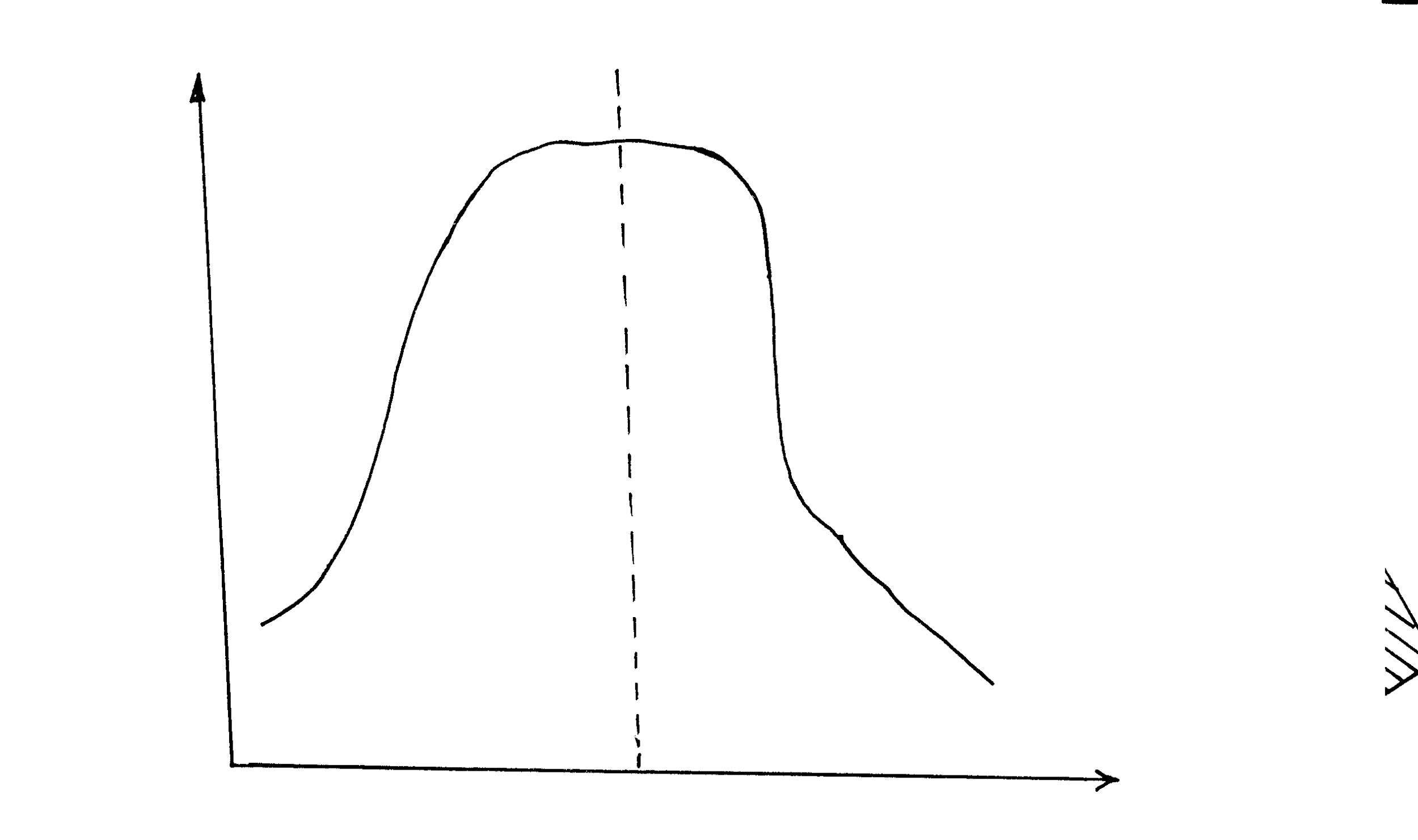
10.1.2007 Bought stationery 3,000

18.1.2007 Bought postage stamps 2,000

26.1.2007 Paid transport 1,000

Use the following columns for your book. Stationery, Postage, Transport. (5mks)

24. Below shows the relationship between population trend and income per head.



1. On the diagram indicate
2. under population
3. Over population
4. Optimum population (3mks)

25. Highlight three features of optimal population. (3mks)

a) ……………………………………………………………………………………………….

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b) ………………………………………………………………………………………………..

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c) ………………………………………………………………………………………………..

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