Name………………………………………..  ADM No…………………………
Stream……………………………….  Candidate’s signature………………
Index No ……………………………….  Date…………………………………

565/1
BUSINESS STUDIES
Paper 1
March 2015
2 HRS

Instructions to candidates

(a) Write your name and Adm Number in the spaces provided above.
(b) Answer ALL the questions.
(c) All answers must be written in the spaces provided.
(d) Candidates should check the question paper to ascertain that all the pages are printed as indicated and no of questions missing.
(e) This paper consist of 8 printed pages.
(f) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
(g) Candidates should answer all the questions in English.

For Examiners Use Only

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
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<tbody>
<tr>
<td>Marks</td>
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<tr>
<td>Questions</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
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<td>Marks</td>
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</tr>
</tbody>
</table>

Total marks

| Total marks |   |
1. Highlight **four** reasons why people engage in Business activities.

i) 

ii) 

iii) 

iv) 

2. Outline **four** types of resources that are important in Business. (4mks)

i) 

ii) 

iii) 

iv) 

3. State **four** functions of an entrepreneur in the production of goods and services. (4mks)

i) 

ii) 

iii) 

iv) 

4. Identify the machine used to perform the following tasks. (4mks)

<table>
<thead>
<tr>
<th>Statements</th>
<th>The machine</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) To count coins and notes</td>
<td></td>
</tr>
<tr>
<td>b) To trim paper into required sizes and shapes</td>
<td></td>
</tr>
<tr>
<td>c) To fold documents, place them in envelope and seal the envelope</td>
<td></td>
</tr>
<tr>
<td>d) To print postage impression on envelopes</td>
<td></td>
</tr>
</tbody>
</table>
5. Outline four differences between chain stores and departmental stores. (4mks)

<table>
<thead>
<tr>
<th>Chain stores</th>
<th>Departmental stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>i)</td>
<td></td>
</tr>
<tr>
<td>ii)</td>
<td></td>
</tr>
<tr>
<td>iii)</td>
<td></td>
</tr>
<tr>
<td>iv)</td>
<td></td>
</tr>
</tbody>
</table>

6. State four statistics that are associated with the measurement of National income. (4mks)

i)-------------------------------------------------------------------------------

ii)-------------------------------------------------------------------------------

iii)-------------------------------------------------------------------------------

iv)-------------------------------------------------------------------------------

7. Prepare Sunshine Traders Balance sheet from the following list of balances extracted from his books as at 31 December 2013. (4mks)

Capital 357,000
Stock 40,000
Machines 150,000
Furniture 7,000
Motor vehicles 200,000
Bank 20,000
Creditors 25,000
Cash 5,000
Debtors 60,000
Loan from KCB 100,000
8. Outline four characteristics of a good filing system (4mks)

i) ........................................................................................................................................................................

ii) ........................................................................................................................................................................

iii) ........................................................................................................................................................................

iv) ........................................................................................................................................................................

9. Highlight four methods that Government uses to protect consumers. (4mks)

i) ........................................................................................................................................................................

ii) ........................................................................................................................................................................

iii) ........................................................................................................................................................................

iv) ........................................................................................................................................................................

10. State four factors that a manager should bear in mind to ensure that he/she effectively communicates with the employees. (4mks)

i) ........................................................................................................................................................................

ii) ........................................................................................................................................................................

iii) ........................................................................................................................................................................

iv) ........................................................................................................................................................................

11. State the meaning of the following principles of insurance . (4mks)

a) Subrogation................................................................................................................................................

b) Contribution................................................................................................................................................

c) Insurable interest........................................................................................................................................

d) Indemnity..................................................................................................................................................
12. Highlight four characteristics of underdevelopment. (4mks)

i) ---------------

ii) ---------------

iii) ---------------

iv) ---------------

13

State **four** factors that may have caused the change shown in the diagram above.

i) ---------------

ii) ---------------

iii) ---------------

iv) ---------------

14. Highlight **four** causes of unemployment in Kenya. (4mks)

i) ---------------

ii) ---------------

iii) ---------------

iv) ---------------
15. Outline four circumstances under which Mr Ondieki (a farmer) may distribute his products directly to his customers. (4mks)

i)---------------------------------------------------------------------------------------------

ii)---------------------------------------------------------------------------------------------

iii)---------------------------------------------------------------------------------------------

iv)---------------------------------------------------------------------------------------------

16. Tripple SSS wholesalers had the following information as at 31 December 2013 (4mks)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing capital</td>
<td>70,000</td>
</tr>
<tr>
<td>Total expenses</td>
<td>5,000</td>
</tr>
<tr>
<td>Drawings of goods</td>
<td>6,000</td>
</tr>
<tr>
<td>Total incomes</td>
<td>3,000</td>
</tr>
</tbody>
</table>

Calculate the capital at the beginning of the year.

17. Highlight four advantages of localization of firms. (4mks)

i)---------------------------------------------------------------------------------------------

ii)---------------------------------------------------------------------------------------------

iii)---------------------------------------------------------------------------------------------

iv)---------------------------------------------------------------------------------------------
18. State **four** characteristics of good money. (4mks)

i)-------------------------------------------------------------------------------------------------------------------

ii)-------------------------------------------------------------------------------------------------------------------

iii)-------------------------------------------------------------------------------------------------------------------

iv)-------------------------------------------------------------------------------------------------------------------

19. Identify the day book associated with the following source documents given below. (4mks)

<table>
<thead>
<tr>
<th>Source documents</th>
<th>Day books</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice received</td>
<td></td>
</tr>
<tr>
<td>Credit note received</td>
<td></td>
</tr>
<tr>
<td>Receipt issued</td>
<td></td>
</tr>
<tr>
<td>Debit note received</td>
<td></td>
</tr>
</tbody>
</table>

20. Highlight **four** purposes of public finance. (4mks)

i)-------------------------------------------------------------------------------------------------------------------

ii)-------------------------------------------------------------------------------------------------------------------

iii)-------------------------------------------------------------------------------------------------------------------

iv)-------------------------------------------------------------------------------------------------------------------

21. The following balances were extracted from the books of Okinda wholesalers on 31st December 2006. (4mks)

<table>
<thead>
<tr>
<th>Sh</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>800,000</td>
</tr>
<tr>
<td>Sales</td>
<td>250,000</td>
</tr>
<tr>
<td>Debtors</td>
<td>70,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>160,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>45,000</td>
</tr>
<tr>
<td>Opening stock (1.1.2006)</td>
<td>40,000</td>
</tr>
<tr>
<td>Closing stock (31.12.2006)</td>
<td>20,000</td>
</tr>
<tr>
<td>General expenses</td>
<td>50,000</td>
</tr>
<tr>
<td>5 year bank loan</td>
<td>200,000</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>20,000</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>80,000</td>
</tr>
</tbody>
</table>
Required, calculate

i) Mark up (1mk)

ii) Current ratio (1mk)

iii) Rate of stock turnover (1mk)

iv) Rate on return on capital (1mk)

23. Highlight four uses of a proforma invoice.

i)---------------------------------------------------------------

ii)---------------------------------------------------------------

iii)---------------------------------------------------------------

iv)---------------------------------------------------------------

24. State four factors that affect the productivity of an office worker.

i)---------------------------------------------------------------

ii)---------------------------------------------------------------

iii)---------------------------------------------------------------

iv)---------------------------------------------------------------
25. In each of the following cases, state the type of inflation described (4mks)

<table>
<thead>
<tr>
<th>Case</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>The unrest in Libya has resulted to an increase in the price of oil</td>
</tr>
<tr>
<td>b)</td>
<td>The price of bread has gone up to sh.60 due to increase in the price of wheat</td>
</tr>
<tr>
<td>c)</td>
<td>A lot of money in circulation has led to the general increase of price</td>
</tr>
<tr>
<td>d)</td>
<td>Arise in price due to uneven growth in some sectors of the economy.</td>
</tr>
</tbody>
</table>
Instructions to candidates
a) Write your name and adm. no in the spaces provided above.
b) Sign and write the date of the examination in the spaces provided above.
c) This paper consists of six questions.
d) Answer any five questions in the answer booklet provided.
e) All questions carry equal marks.
f) This paper consists of 3 printed pages.
g) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.
h) Candidates should answer the questions in English.

For examiner’s use only

<table>
<thead>
<tr>
<th>Questions</th>
<th>Maximum Score</th>
<th>Candidates Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td></td>
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<tr>
<td>3</td>
<td>20</td>
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<td>4</td>
<td>20</td>
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<td>5</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL SCORE</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. a) Explain five benefits that would accrue to Country as a result of delocalization. (10mks)

   b) Explain five features of a perfect competition market structure (10mks)

2. a) The following transactions relate to Vivylex wholesalers for the month of December 1998.

   1998
   Dec. 1 Bought goods on credit from Weka Distributors shs.46,200, Micko shs.15,600 and Limo shs.38,360.
   3 Sold goods on credit to Lwanda Retailers shs.39,200, Motor Grocers shs.25,560 and Mawe shs.12,650.
   7 Returned goods to Micko shs.4,200 and Limo shs.6,140.
   11 Bought goods on credit from Tuktuk shs.34,830.
   12 Goods returned by Motor Grocers shs.4,550 and Lwanda Retailers shs.1,280.
   15 Sold goods on credit to Motor Grocers shs.6,800, Marion traders shs.12,800.
   18 Goods returned by Marion Traders shs.2,060.
   22 Bought goods on credit from Fatuma shs.22,100, Temo shs.38,350.
   28 Credit sales to Ngula shs.16,060, Oyunga shs.12,960 and Mawe shs.15,260.

   Enter the above transaction in the respective books of original entry (10mks)

   b) Discuss five factors that enhances efficient running of a warehouse. (10mks)

3. a) Explain five negative effects of inflation to a country’s economic development. (10mks)

   b) Highlight five importance of entrepreneurship to the economy of a country. (10mks)

4. a) Explain five factors that can lead to unfavourable balance of payment. (10mks)

   b) Explain five factors to be considered when choosing a method of product promotion (10mks)

5. a) Describe five procedure to be followed when taking an insurance policy. (10mks)

   b) Explain five limitations of containerization in transport sector. (10mks)

6. a) Highlight five benefits that a country will enjoy as a result of indirect production. (10mks)
b) The following trial balance was extracted from the books of Mugoya Traders as at 30\textsuperscript{th} June, 2014

\begin{tabular}{|l|c|c|}
\hline
\textbf{Details} & \textbf{Dr (shs)} & \textbf{Cr (shs)} \\
\hline
Premises & 1,500,000 &  \\
Debtors and creditors & 20,000 & 30,000 \\
Cash at bank & 90,000 &  \\
Cash in hand & 10,000 &  \\
Purchases and sales & 140,000 & 320,000 \\
Stock of good on 1\textsuperscript{st} July 2013 & 45,000 &  \\
Discounts & 6,000 & 2,000 \\
Salaries and wages & 50,000 &  \\
Commissions & 8,000 &  \\
Power and lighting & 12,000 &  \\
Returns & 15,000 & 19,000 \\
Carriage outwards & 2,300 &  \\
Carriage inwards & 5,400 &  \\
Capital & & 1,543,700 \\
Furniture & 27,000 &  \\
\hline
\textbf{Total} & \textbf{1,922,700} & \textbf{1,922,700} \\
\hline
\end{tabular}

\textit{Additional information}

Stock of goods on 30\textsuperscript{th} June, 2014 was worth sh22,000.

\textbf{Required:} prepare trading, profit and loss account for the period ended 30\textsuperscript{th} June, 2014. (10mks)