TIGANIA SOUTH PRE-MOCKS 2015
Kenya Certificate of Secondary Education

565/1
Paper 1
BUSINESS STUDIES
2 hours

INSTRUCTIONS TO CANDIDATES

i) Write your name, index number, class and admission number in the spaces provided above.
ii) Sign and write the date of the examination in the spaces provided above.
iii) Answer all questions in the spaces provided.
iv) This paper consists of 9 printed pages
v) Check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.
1. **Highlight four reasons why public relations is a popular way of product promotion among banks.**
   (4mks)
   (a) ........................................................................................................................................
   (b) ........................................................................................................................................
   (c) ........................................................................................................................................
   (d) ........................................................................................................................................

2. **Mention four non-tax internal sources of revenue to the government.**
   (4mks)
   (a) ........................................................................................................................................
   (b) ........................................................................................................................................
   (c) ........................................................................................................................................
   (d) ........................................................................................................................................

3. **Outline four measures that an employer can put in place to improve the performance of her human resource.**
   (4mks)
   (a) ........................................................................................................................................
   (b) ........................................................................................................................................
   (c) ........................................................................................................................................
   (d) ........................................................................................................................................

4. **State whether each of the following transactions will increase, decrease or have no effect on the Balance Sheet totals**
   (4mks)

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Effect on Balance sheet totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Sold a private car and deposited the money in business bank account</td>
<td></td>
</tr>
<tr>
<td>b) Withdrew money from bank for office use</td>
<td></td>
</tr>
<tr>
<td>c) Paid Mr. Kimeli, a creditor in cash</td>
<td></td>
</tr>
</tbody>
</table>
5. Highlight four conditions that must be met in order for an insurance contract to be valid. (4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

6. Enter the following transactions in the relevant book of original entry (4mks)

2014 June 1. Made cash purchases worth sh. 25,000
5. Paid sh.38,000 by cheques in full settlement of a debt owed to Kibogong after deducting a 5% cash discount.
12. Bought stationery and paid by cash sh.19,000.
19. Settled a debt of sh.90,000 owed to Yatich stores by cheque after deducting a 3% cash discount.
28. Paid the month’s salaries of sh 80,000, by cash, sh. 30,000 and the balance by cheques.

7. Outline four ways which the government can use to influence the supply of maize in Kenya. (4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

8. Outline four negative effects of inflation to an economy. (4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

9. Highlight four benefits enjoyed by a holder of a credit card (4mks)

(d) Purchased a Motor car by cheque
10. The following balances relate to the business of Roba Traders during the period ended 31\textsuperscript{st} March 2014.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (Shs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>680,000</td>
</tr>
<tr>
<td>Premises</td>
<td>500,000</td>
</tr>
<tr>
<td>Machinery</td>
<td>175,000</td>
</tr>
<tr>
<td>Creditors</td>
<td>190,000</td>
</tr>
<tr>
<td>Furniture</td>
<td>85,000</td>
</tr>
<tr>
<td>Motor van</td>
<td>200,000</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Extract the trial balance of Roba Traders as at 31\textsuperscript{st} March 2014. (4mks)

11. Highlight four circumstances under which air transport can be preferred to transport goods from one place to another. (4mks)

(a) .................................................................
(b) .................................................................
(c) .................................................................
(d) .................................................................

12. Study the following document used in home trade.

SIRO TRANSPORTERS CO. LTD
SIRO BUILDING,
OLOO STREET, NANDI ROAD
<table>
<thead>
<tr>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>WEIGHT (KGS)</th>
<th>COMMODITY / ITEM NUMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TRANSPORT CHARGES PAID**

…………………………………………………………………………………………………

**SIGNATURE OF TRANSPORT CO.**

…………………………………………………………………………………………………

**SIGNATURE OF SELLER**

…………………………………………………………………………………………………

**DATE** …………………………………………. **DATE** ………………………………..

I. Name the document shown above …………………………………………………………… (1mk)
II. Name two uses of the document ............................................................................ (2mks)
a) ………………………………………………………………………………………………..
b) .................................................................................................................................

13. List four costs incurred by intermediaries in the chain of distribution (4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

14. Prepare ledger accounts from the following transactions relating to Tito Traders for the month of January 2015 (4mks)

January 5th sold goods for Shs 20,000 cash

10th bought furniture for Shs 50,000 on credit from Jamwal Traders

21st Paid Shs 10,000 cash to Jamwal traders

21st Returned furniture worth Shs 6,000 found damaged to Jamwal Traders

15. Highlight any four features of time deposit account (4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................
16. Name **four** commercial services that facilitate trade. (4mks)

(a) ..............................................................................................................................................
(b) ..............................................................................................................................................
(c) ..............................................................................................................................................
(d) ..............................................................................................................................................

17. The following balances were extracted from the books of Njoro Traders for the period ended 31st December 2013

<table>
<thead>
<tr>
<th></th>
<th>Ksh.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit</td>
<td>10,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>2,000</td>
</tr>
<tr>
<td>Commission income</td>
<td>4,000</td>
</tr>
<tr>
<td>Rent received</td>
<td>3,000</td>
</tr>
<tr>
<td>Electricity</td>
<td>2,000</td>
</tr>
<tr>
<td>Carriage outwards</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Prepare a profit and loss account (4mks)

18. Highlight **four** factors that determine the National income of a country. (4mks)

(a) ..............................................................................................................................................
(b) ..............................................................................................................................................
(c) ..............................................................................................................................................
(d) ..............................................................................................................................................
19. Highlight four causes of demand pull inflation

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

20. Outline four ways in which the problem of scarce resources can be addressed by a consumer.

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

21. Highlight four ways in which local resources can be managed to alleviate unemployment problems in Kenya.

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

22. Outline four factors that comprise a negative internal environment in a business.

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................

23. The following information relates to Waruhio Traders as at 31st December 2011.

<table>
<thead>
<tr>
<th>Waruhio Traders Balance Sheet</th>
<th>As at 31st December 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>Shs. 203,000</td>
</tr>
<tr>
<td>Capital</td>
<td>Shs. 359,000</td>
</tr>
<tr>
<td>Plus Net profit</td>
<td>Shs. 114,000</td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>Shs. 174,000</td>
</tr>
<tr>
<td>Less Drawings</td>
<td>Shs. 73,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
</tbody>
</table>
Debtors 113,000  
Cash at Bank 53,000  
Short term liabilities:  
1 year Loan 79,000  
Creditors 64,000  
543,000  
543,000

a) Calculate the total current assets.  
(1mk)

b) Determine the capital owned.  
(2mks)

c) Calculate the working capital  
(1mk)

24. Given below are functions of office equipment. Identify the name of the equipment against the rightful use.  
(4mks)

<table>
<thead>
<tr>
<th>Functions of the Machine</th>
<th>Office Equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Used in posting information to ledgers and preparing payrolls</td>
<td></td>
</tr>
<tr>
<td>b) To transmit printed messages such as photographs, letters, and maps</td>
<td></td>
</tr>
<tr>
<td>c) Usually fire proof where important documents in an organization are stored</td>
<td></td>
</tr>
<tr>
<td>d) Used to carry out many functions such as storing information, typing and performing complex calculations</td>
<td></td>
</tr>
</tbody>
</table>

25. Outline four factors that may give rise to monopoly power in an economy.  
(4mks)

(a) ........................................................................................................................................
(b) ........................................................................................................................................
(c) ........................................................................................................................................
(d) ........................................................................................................................................
TIGNANIA SOUTH PRE-MOCKS 2015

565/2
BUSINESS STUDIES
FORM FOUR
TIME: 2½ HRS.

INSTRUCTIONS

- Answer any five questions in the separate answer sheet provided.
1. (a) Explain **five** measures put in place by the government to bring order in road transport sector in Kenya today. (10 marks)

(b) Explain **five** reasons why per capita income is not a good indicator of standards of living. (10 marks)

2. (a) On 1\textsuperscript{st} November 2013: Tabagon Co. Ltd. had a balance of shs. 12,000 at the bank and shs. 2500 in hand. During the month, the following transaction took place:

- **Nov. 1** Cash sales Shs. 2500, cash purchase Shs. 1750
- **Nov. 3** Paid the following accounts by cheque.
  - Kirop Shs. 1500 less 5\% cash discount
  - Kirui Shs. 2000 less 5\% cash discount
  - Nasimiyu shs. 2100 less 3 \% cash discount
- **Nov. 5** Received the following amounts from debtors,
  - Ondiek shs. 1200, Jane shs. 3850 and Mueni by cheque shs. 2050 after allowing her shs. 300 cash discount.
- **Nov. 14** Paid office cash to the bank shs. 2000
- **Nov. 17** Cash sales 8500
- **Nov. 22** Mueni paid her account of shs. 5000 by cheque less 10\% cash discount
- **Nov. 28** Withdrew all the money from the bank for office use except shs. 1000
- **Nov. 29** Paid salary cash shs. 8000
- **Nov. 30** A cheque received from Mueni on Nov. 5\textsuperscript{th} was dishonoured.

Prepare Tabagon Co. Ltd. three column cash book. (10 marks)

(b) Describe the procedure of obtaining an insurance claim. (10 marks)

3. (a) Explain the meaning of the following terms as used in business ownership. (10 marks)

(i) Franchising
(ii) Merger
(iii) Holding company
(iv) Front Office Savings Account (FOSA)
(v) Globalization

(b) Explain **five** features of a hypermarket. (10 marks)

4. (a) Explain **five** emerging issues in office practice today. (10 marks)

(b) Explain **five** reasons that account for the existence of small firms in an economy. (10 marks)
5. (a) Explain **five** ways in which communication enhances trading activities.  
(10 marks)

(b) Highlight **five** factors that facilitate entrepreneurial development in an economy.  
(10 marks)

6. (a) The following trial balance was extracted from the ledgers of Gathioro's mobile phones business for the year ended 31st Oct 2013.

### Gathioro's mobile phones
**Trial Balance**
**As at Gathiro’s 31st Oct 2013**

<table>
<thead>
<tr>
<th>Details</th>
<th>Dr. (Shs)</th>
<th>Cr. (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>855,000</td>
<td></td>
</tr>
<tr>
<td>Purchase</td>
<td>420,000</td>
<td></td>
</tr>
<tr>
<td>Sales returns</td>
<td>12,000</td>
<td></td>
</tr>
<tr>
<td>Purchase returns</td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>165,000</td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>63,000</td>
<td></td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>480,000</td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td>65,000</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td>190,000</td>
<td></td>
</tr>
<tr>
<td>Carriage inwards</td>
<td>14,000</td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>280,000</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>626,250</td>
</tr>
<tr>
<td>Drawing</td>
<td>88,000</td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td>6,400</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>8,200</td>
<td></td>
</tr>
<tr>
<td>Postage</td>
<td>3,850</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>19,600</td>
<td></td>
</tr>
<tr>
<td>Discounts received</td>
<td></td>
<td>4,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>12,900</td>
<td></td>
</tr>
<tr>
<td>Discount allowed</td>
<td>7,300</td>
<td></td>
</tr>
<tr>
<td><strong>1670250</strong></td>
<td><strong>1670250</strong></td>
<td></td>
</tr>
</tbody>
</table>

On 31st Oct. 2013, the business had closing stock valued at Shs. 60,000

Required
(i) The trading, profit and loss a/c for the year ended 31st Oct 2013.  
(8 marks)

(ii) A balance sheet as at that date.  
(4 marks)

(b) Explain **five** services rendered by the Central Bank to the government.  
(10 marks)