NAME..ADM NO.........................

Candidate's sign..........................

School...Date......................................

565/1
BUSINESS STUDIES
PAPER 1
TERM TWO
TIME: 2 HOURS

FORM THREE

TIME: 2½ HOURS

Instructions to candidates:
a)   Write your name and Admission number in the spaces provided above.
b)   Sign and write the date of the examination in the spaces provided above
c)   Answer ALL the questions
d)   All answers must be written in the spaces provided
e)   Do not remove any pages from this booklet

The Digital Prove   Business Paper 1   0716052864   Turnover

1.State four feature of a perfectly competitive market.   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

2.Draw four channels of distribution for imported vehicles .   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

3.In Kenya there is a gap between the rich and the poor .Highlight four factors that contribute to this disparity in income distribution.   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

4.Outline four characteristics of land as a factor of production.   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

5.Highlight four circumstances under which downward communication may become appropriate in an organization.   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

6.Outline four functions of a profoma invoice.   (4mks)

(i)……………………………………………………………………………………………………

(ii)……………………………………………………………………………………………………

(iii)……………………………………………………………………………………………………

(iv)……………………………………………………………………………………………………

7. The following information relates to Jokam business .Determine the missing figures represented by letters

X,Y,W,and Z   (4mks)

Capitals (sh)	Assets (sh)	Liabilities (sh)
(i) 1,500,000	X	300,000
(ii) Y	2,200,000	1,600,000
(iii) 3,300,000	4,000,000	W
(iv) Z	6,400,000	800,000

8.Outline four ways of improving the efficiency of a warehouse.   (4mks)

(i)………………………………………………………………………………………………………

(ii)………………………………………………………………………………………………………

(iii)………………………………………………………………………………………………………

(iv)………………………………………………………………………………………………………

9.State four reasons why credit cards are becoming more popular in Kenya today.(4mks)

(i)………………………………………………………………………………………………………

(ii)………………………………………………………………………………………………………

(iii)………………………………………………………………………………………………………

(iv)………………………………………………………………………………………………………

10.Highlight four factors that make a health business environment.   (4mks)

(i)………………………………………………………………………………………………………

(ii)………………………………………………………………………………………………………

(iii)………………………………………………………………………………………………………

(iv)………………………………………………………………………………………………………

11.The following balance sheet was incorrectly prepared .

Kamau

Balance sheet

As at 31st December 2012

Capital	200000	Cash at bank	4000
Stock	56000	Bank overdraft	30000
Cash in hand	4000	Motor vehicles	140,000
Fixture	40000	Creditors	50000
		Debtors	72000
	264,000		296,000

Prepare a correct balance sheet in order of permanency to show the total of fixed assets, current assets, short term liabilities and capitals.   (4mks

12. State four areas of study covered in business studies.   (4mks)

(i)………………………………………………………………………………………………

(ii)………………………………………………………………………………………………

(iii)………………………………………………………………………………………………

(iv)………………………………………………………………………………………………

13.Highlight four features of life-insurance cover.   (4mks)

(i)…………………………………………………………………………………………………

(ii)…………………………………………………………………………………………………

(iii)…………………………………………………………………………………………………

(iv)…………………………………………………………………………………………………

14.Highlight four reasons why there is need for ethical practices in business   (4mks)

(i)…………………………………………………………………………………………………

(ii)…………………………………………………………………………………………………

(iii)…………………………………………………………………………………………………

(iv)…………………………………………………………………………………………………

15.On 22nd April 2014 ,Moses received an invoice for sh 400,000.Terms of payment were trade discount 2% and cash discount 5%,3% and 1% .If payment was to be met within 1,2 or 3 months respectively .Calculate the amount paid if the payment was made on 16th July 2014. (4mks)

16.Highlight four circumstances under which it would be advisable for a trader to sell goods directly to the consumers .   (4mks)

(i)…………………………………………………………………………………………………

(ii)…………………………………………………………………………………………………

(iii)…………………………………………………………………………………………………

(iv)…………………………………………………………………………………………………
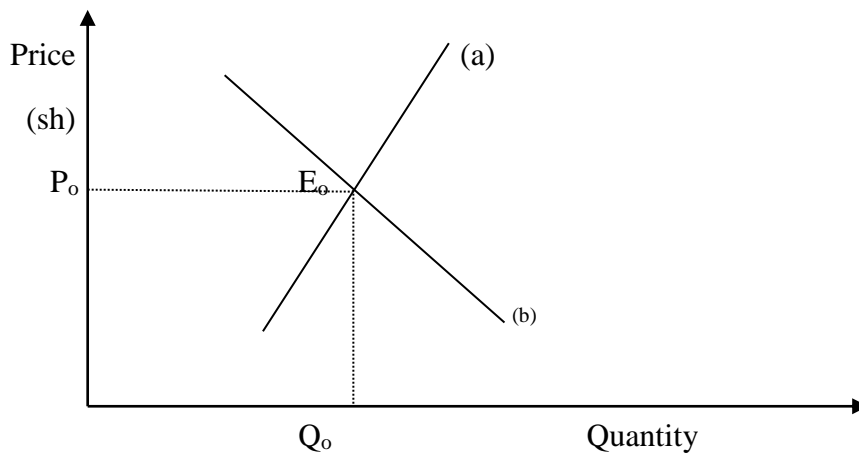
17.Nyotandogo Traders had an initial capital of Ksh.160,000. At the end of the year the following date was provided.

(i)During the year,proprietor surrendered his private car valued at sh.400000 to the business

(ii)During the year ,the proprietor had taken goods worth sh 13500 per month for his own use

(iii)The business made a profit of sh 102,000

Calculate the owner's equity at the end of the year.   (4mks)

18.The diagram below shows a graphical representation from given demand and supply schedule.

(i)Name the curves labeled (a) and (b)   (2mks)

a)……………………………………………………………………………………….

b)………………………………………………………………………………………..

(ii) In the above diagram ,show the new equilibrium price (P1) equilibrium Quantity (Q1) and equilibrium point (E1) assuming the supply fall as demand remains constant (2mks)

19.State the term given to each of the following activities when traders prepare goods for sale .(4ks)

a)putting goods in groups of similar qualities to make it easier to price them_____

b)mixing different grades to achieve desired taste ,color and other qualities _____

c).Giving a product a name by which it will be sold_____

d).dividing the product into smaller quantities for the convenience of the buyer_____

20.State four reasons for privatizing public corporations   (4mks)

(i)………

(ii)………

(iii)………

(iv)………

21.State the kind of utility created under the following situations

a) processing sugarcane to sugar…………………………………………………………….

b)Buying fruits from the market…………………………………………………………….

c)Keeping gumboots for the rainy season…………………………………………………

d)Going abroad for further studies…………………………………………………………

22.Below are some of the factors that influence the operations of business.Indicate with a tick in appropriate column,the business environment associated with each of the factor.   (4mks)

Factor	Internal environment	External environment
(i) Technology		
(ii) Political		
(iii) Goals and objectives		
(iv) Human resources		

23.State four characteristics of economic resources.   (4mks)

(i)………

(ii)………

(iii)………

(iv)………

24.Outline four unethical issues in product promotion   (4mks)

(i)………

(ii)………………………………………………………………………………………………

(iii)………………………………………………………………………………………………

(iv)………………………………………………………………………………………………

25.State four advantages of hire purchase to seller   (4mks)

(i)………………………………………………………………………………………………

(ii)………………………………………………………………………………………………

(iii)………………………………………………………………………………………………

(iv)………………………………………………………………………………………………