**Name………………………………………………………. admin no.…….. class……**

**565/1**

**BUSINESS STUDIES**

**Paper 1**

**Time: 2 Hours**

**INSTRUCTIONS TO CANDIDATES**

1. **Write your name and admission No. in the spaces provided above.**

**2. Answer all the questions in the spaces provided**

**FOR EXAMINER’S USE ONLY**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Question**  **Marks** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Question** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** |
| **Marks** |  |  |  |  |  |  |  |  |  |  |  |  |  |



**TOTAL MARKS**

1. Outline **four** challenges associated with the satisfaction of human wants. (4mks)
2. ...............................................................................................................................................
3. ...............................................................................................................................................
4. ...............................................................................................................................................
5. .............................................................................................................................................................................................................................................................................................
6. State **four** ways in which the government may influence the price of a commodity. (4mks)
7. ...............................................................................................................................................
8. ...............................................................................................................................................
9. ...............................................................................................................................................
10. ..............................................................................................................................................................................................................................................................................................
11. Below are some factors that influence the operation of a business. Indicate with a tick in the appropriate column the business environment associated with each of the factors. 4 mks

|  |  |  |
| --- | --- | --- |
| Factor | Internal environment | External environment |
| 1. Customer taste and preference |  |  |
| 1. Price levels |  |  |
| 1. Personnel and knowledge and skills |  |  |
| 1. Foreign exchange rate |  |  |

1. The balances below relates to Eureka Traders for the year ended 31st December 2010.

Shs.

Capital ?

2 year Bank loan 230,020

Creditors 95,200

Fixed assets 480,000

Current assets 145,220

Determine the following

i.) Working capital. (2mks)

ii.)Capital employed. (2mks)

1. For each of the following indicate in the spaces provided the account to be debited, the account to be credited and relevant ledger in which account would be maintained. 4 marks

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **TRANSACTION** | **A/C Dr** | **ledger** | **A/C cr** | **ledger** |
| a. Mrkoech a proprietor converted a private car into a business asset |  |  |  |  |
| b. Withdrew cash from the business to pay for sons school fees. |  |  |  |  |
| c. Sold delivery van on credit to Fanfan motors |  |  |  |  |
| d. bought furniture and paid by cheque |  |  |  |  |

1. Highlight **four** measures that the government would undertake to provide investors with an enabling business environment. (4mks)
2. ...............................................................................................................................................
3. ...............................................................................................................................................
4. ...............................................................................................................................................
5. ..............................................................................................................................................................................................................................................................................................
6. Outline **four** circumstances under which vertical downwards communication would be appropriate in an organization. (4mks)
7. ...............................................................................................................................................
8. ...............................................................................................................................................
9. ...............................................................................................................................................
10. ..............................................................................................................................................................................................................................................................................................
11. Outline **four** drawbacks that accrue to a society that practice subsistence production (4mks)
12. ...............................................................................................................................................
13. ...............................................................................................................................................
14. ...............................................................................................................................................
15. ..............................................................................................................................................................................................................................................................................................
16. Highlight **four** merits of using indirect taxes to raise government revenue. (4mks)
17. ...............................................................................................................................................
18. ...............................................................................................................................................
19. ...............................................................................................................................................
20. ..............................................................................................................................................................................................................................................................................................
21. State **four** components of a business plan. (4mks)
22. ...............................................................................................................................................
23. ...............................................................................................................................................
24. ...............................................................................................................................................
25. ..............................................................................................................................................................................................................................................................................................
26. Outline **four** demerits of using pipeline to transport petroleum products. (4mks)
27. ...............................................................................................................................................
28. ...............................................................................................................................................
29. ...............................................................................................................................................
30. ..............................................................................................................................................................................................................................................................................................
31. Highlight **four** circumstances which may make personal selling appropriate as a way of product Promotion. (4mks)
32. ...............................................................................................................................................
33. ...............................................................................................................................................
34. ...............................................................................................................................................
35. ..............................................................................................................................................................................................................................................................................................
36. Raymond traders had the following balances as at 6thJanuary 2012. 4 marks

Land & building 150,000

Cash in hand 25,500

Creditors 15,000

Bank overdraft 30,000

Purchases 18,000

Sales 30,000

Returns inwards 5,000

**Required;**

A trial balance as at 6thJanuary 2012

1. Outline **four** monetary methods that the government can use to reduce inflation. (4mks)
2. ...............................................................................................................................................
3. ...............................................................................................................................................
4. ...............................................................................................................................................
5. ..............................................................................................................................................
6. Name the office machines used to perform the following functions. (4mks)

|  |  |
| --- | --- |
| **Function** | **Machine** |
| 1. To fold documents, place them in the envelope and seal. |  |
| 1. Used to transmit printed messages such as Letters ,maps diagrams and photographs |  |
| 1. Reproducing documents from a master copy(stencil) |  |
| 1. Printing postage impressions on the envelopes |  |

1. Highlight **four** disadvantages of producer co-operative societies. (4mks)
2. ...............................................................................................................................................
3. ...............................................................................................................................................
4. ...............................................................................................................................................
5. ..............................................................................................................................................................................................................................................................................................
6. State ***four*** objectives of export processing zones in Kenya. (4mks)
7. ...............................................................................................................................................
8. ...............................................................................................................................................
9. ...............................................................................................................................................
10. ..............................................................................................................................................................................................................................................................................................
11. Outline **four** circumstances under which firm may be located near a source of raw material (4mks)
12. ...............................................................................................................................................
13. ...............................................................................................................................................
14. ...............................................................................................................................................
15. ..............................................................................................................................................................................................................................................................................................
16. Highlight **four** benefits of a bonded warehouse to the government. (4mks)
17. ...............................................................................................................................................
18. ...............................................................................................................................................
19. ...............................................................................................................................................
20. ..............................................................................................................................................
21. State **four** features of a departmental store. (4mks)
22. ...............................................................................................................................................
23. ...............................................................................................................................................
24. ...............................................................................................................................................
25. ..............................................................................................................................................................................................................................................................................................
26. Outline **four** conditions which are necessary for a successful development plan. (4mks)
27. ...............................................................................................................................................
28. ...............................................................................................................................................
29. ...............................................................................................................................................
30. ..............................................................................................................................................................................................................................................................................................
31. State **four** purposes of a three column cash book. (4mks)
32. ...............................................................................................................................................
33. ...............................................................................................................................................
34. ...............................................................................................................................................
35. ..............................................................................................................................................................................................................................................................................................
36. Highlight **four** features of general insurance. (4mks)
37. ...............................................................................................................................................
38. ...............................................................................................................................................
39. ...............................................................................................................................................
40. ..............................................................................................................................................................................................................................................................................................

23 . The following is the population size of a certain country in the last three years

|  |  |
| --- | --- |
| year | Population in (000) |
| 2016 | 34000 |
| 2017 | 36000 |
| 2018 | 40000 |

If the economic growth rate was negative highlight **four** effect of such a population trend. 4mks

24. Name the source document and the day book to which each of the following description relates 4 marks

|  |  |  |
| --- | --- | --- |
| DESCRIPTION | SOURCE DOCUMENT | DAY BOOK |
| a. issued by the seller to buyer for cash paid for goods. |  |  |
| b. issued by the seller to a credit buyer to demand for payment |  |  |
| c. used to correct an overcharge for goods returned to the business |  |  |
| d. Filled when either cash or cheques are deposited in the bank account. |  |  |

25. In the table below indicate with a tick which of the following is an injection or withdrawal from circular flow of income. 4mks

|  |  |  |
| --- | --- | --- |
| item | injection | withdrawal |
| 1. Construction of standard gauge railway |  |  |
| 1. Bought from China 47 X-ray machine for each county medical hospital. |  |  |
| 1. Made it a legal requirement for employee to pay 5% of their employee salary to a housing scheme |  |  |
| 1. Decision made to sell 25% of the oil deposit in Turkana to China |  |  |