

The business had drawings amounting to shs. 20,000 during the year. Prepare a balance sheet to determine the networth of the business at the start of the trading year (4mks)

16. Outline **four** benefits of sharing office machines (4mks)
17. Using a diagram , Illustrate how a decrease in supply occurs due to change in price (4mks)
18. Give **four** reasons why taxation is desirable in a country (4mks)
19. Describe **three** channels that can be used to distribute coffee from Kenya to a consumer in USA (4mks)
20. Highlight **four** reasons that have prompted Kenya to be an active member of regional trade bloc's such as ( Comesa ) (4mks)
  
21. Highlight **four** ways in which the county government has contributed to economic development in the country (4mks)
22. The following transactions relate to Robbin Traders for the month of October 2008 .  
Oct 2: Sold goods for shs. 25,000 cash  
Oct 3: Received a cheque for shs. 39,000 from Kiplangat , a debtor after allowing a cash discount of shs. 2,000  
Oct 10: Received shs. 19,600 cash from Kariuki a debtor after allowing him a 2% cash discount  
Oct 12: Deposited shs. 9,000 cash to Bank  
Enter the above transactions in the cash receipt Journal of Robbin Traders
- 23 Highlight **four** barriers associated with written communication (4mks)
24. Outline **four** circumstances under which deferred payment may be appropriate to the seller (4mks)
25. Give **four** reasons why a firm may not realize any benefits from free publicity (4mks)

**KIRINYANGA**  
**SCHOOL BASED FORM FOUR EXAMINATION**  
**JULY – AUGUST 2017**  
**BUSINESS STUDIES**  
**PAPER TWO 565/2**  
**TIME: 2 ½ HOURS**

**Answer any five questions**

1. a) Explain **five** factors that would influence the amount of money an individual may hold for transaction. (10mks)  
 b) Outline **five** services that wholesalers can offer to a producer (10mks)
2. a) Explain **five** ways of making face to face communication effective (10mks)  
 b) Since the year 2013 many small business in Kenya have expanded and grown into large enterprises. Discuss **five** causes of business success (10mks)
3. a) With help of a well labeled diagram , explain the effect of the shift of the demand curve towards the right on the equilibrium price and quantity (12mks)  
 b) Explain the following types of Inflation  
 Demand pull inflation  
 Cost push inflation  
 Imported inflation  
 Structural inflation (8mks)
4. a) Explain **five** characteristics of property Insurance (10mks)  
 b) Discuss **five** measures that the government may take to improve the volume of exports in the country, (10mks)
5. a) Explain at least **five** advantages of an open plan office layout (10mks)  
 b) Kiriko traders started a business with shs 300,000 cash at bank on 1<sup>st</sup> July 2016  
 During the first week ended on 7<sup>th</sup>  
 July 2016 the following transaction took place  
 July 2<sup>nd</sup> withdrew shs 100,000 from the bank for office use  
 July 4<sup>th</sup> Bought stock on credit worth shs. 53,000 from Musa traders  
 July 6<sup>th</sup> Withdrew shs. 10,000 from the bank for private use  
 July 8<sup>th</sup> Purchased a computer worth shs. 20,000 by cheque  
 July 10<sup>th</sup> Paid Musa traders shs. 12,000 by cash

***Required***

Open the relevant ledger, accounts and record the above transactions.

Balance the ledger accounts

(10mks)

6. a) Explain five circumstances under which a partnership may be dissolved (10mks)  
 b) The following trial balance was extracted from the books of Sagana Enterprises on 31<sup>st</sup> May 2014

**SAGANA ENTERPRISE**  
**TRIAL BALANCE**  
**AS AT 31<sup>ST</sup> MAY 2014**

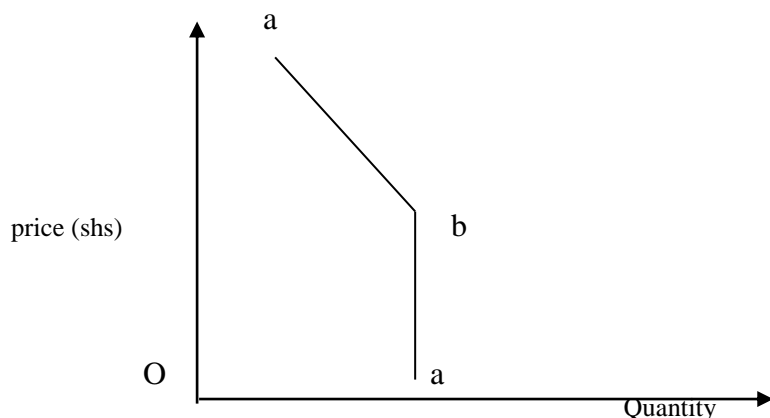
	Dr.	Cr.
Gross Profit		36000
Carriage Inwards	4000	
Debtors	70000	
Premises	95000	60,000
Creditors		
Motor vehicles	113,000	
Drawings	55, 000	
Salaries	28, 000	
General Expenses	53,000	
Bank	55, 000	
Commission received		12000
Capital		390 000
Stock	<u>25000</u>	
	498000	498000

***Required to prepare***

- (i) Profit and loss account for the year ended 31<sup>st</sup> may 2014 (3mks)
- (ii) Balance sheet as at 31<sup>st</sup> may 2014 (9mks)

**SUNSHINE SECONDARY SCHOOL**  
**BUSINESS STUDIES**  
**PAPER 1**  
**2017**  
**2 HRS**

1. Outline five disciplines incorporated in the business studies course (5mks)
2. State four characteristics of departmental stores (4mks)
3. List four types of partners in a partnership formed by professionals (4mks)
4. Highlight four factors that may cause a shift in supply curve to the left (4mks)
5. Use the diagram below to answer the questions that follow.



- a) Identify the market structure to which the diagram belong (1mk)
- b) Name the parts labelled (2mks)
  - i)'a'
  - ii)'b'
- c) State one reason why the price in the above diagram is rigid (1mk)
6. Outline three motives for liquidity preference (3mks)
7. State four consequences of poor arrangement of goods in a warehouse (4mks)
8. Complete the following table by filling in the blank spaces (4mks)

PROFIT	DRAWINGS	INITIAL CAPITAL	ENDING CAPITAL
SHS	SHS	SHS	SHS
a) _____	5000	200,000	250,000
b) 40,000	_____	350,000	380,000
c) 50,000	15,000	_____	400,000
d) 60,000	10,000	500,000	_____

9. The following cash book was prepared by unqualified book-keeper. Identify four errors made in it. (4mks)

DR				CR			
Date	Details	LF	Amount (shs)	Date	Details	LF	Amount (shs)
2014				2014			
Jan 1	Bal b/d		100,000	Jan. 2	Sales		50,000
Jan. 4	Wages		5,000	" 7	Purchases		4,000
" 5	sales		25,000	" 10	Salaries		7,000
				" 12	Rent received		8,000
				" 12	Bal c/d		61,000
			<b>130,000</b>				<b>130,000</b>
Jane. 12	Bal. b/d		<b>61,000</b>				

10. State four reasons why taxation is desirable in a country (4mks)
11. Basing your knowledge on financial ratios, complete the following table (4mks)

Opening stock	Closing stock	Net purchases	Cost of goods sold	Net sales	Gross profit	Average stock	R.O.S.T.O
a)	50,000	170,000	240,000	b)	300,000	c)	d)

12. Highlight four reasons why human wants may not be fully satisfied (4mks)
13. State four reasons that may make a firm to use competitive advertising (4mks)
14. Outline four circumstances under which a commodity may be distributed directly to the consumers (4mks)

15. State four challenges that a country with a young population experiences (4mks)  
 16. Identify the rewards of the following factors of production (4mks)

**FACTOR**

**REWARD**

- a) Limestone \_\_\_\_\_  
 b) Doctor \_\_\_\_\_  
 c) Tractor \_\_\_\_\_  
 d) Landlord \_\_\_\_\_

17. State four methods that the government of Kenya may use to protect its infant industries (4mks)

18. State four circumstances under which a firm would be located near the source of raw materials (4mks)

19. A car and a garage was insured for shs. 1,500,000 instead of shs. 2000,000. Later the property was destroyed and a loss of shs. 1000,000 was suffered. Determine the amount of claim, giving a reason for your answer. (4mks)

20. Outline four features of a transport means that can be described as efficient (4mks)

21. Classify the following staff as under: Senior, Junior, or Subordinate (4mks)

**STAFF**

**CATEGORY**

- a) Clerk \_\_\_\_\_  
 b) Accountant \_\_\_\_\_  
 c) Personal Secretary \_\_\_\_\_  
 d) Messenger \_\_\_\_\_

22. Outline four roles of Kenya Bureau of standards in Consumer protection (4mks)

23. State four advantages of books of original entry (prime books) to a business (4mks)

24. Highlight four problems encountered when a development plan is to be implemented (4mks)

25. Give the long forms of the following abbreviations as used in National Income (4mks)

- a). NNP.....  
 b). NDP.....  
 c). GNP.....  
 d). GDP.....

**SUNSHINE SECONDARY SCHOOL****565/2****BUSINESS STUDIES****2017****TIME: 2½ HOURS**

- 
1. a) Explain six contributions made by the insurance industry in the economy (12 mks)  
 b) Explain any four fiscal policy measures adopted by the government to control inflation (8 mks)
2. a) Outline five benefits that would accrue to a country that encourages Entrepreneurship (10 mks)  
 b) The following information relates to Kianyaga Stores for the year ended 31<sup>st</sup> December 2013
- |                     |              |
|---------------------|--------------|
| Opening stock       | 150,000      |
| Closing stock       | 230,000      |
| Bank                | 30,000       |
| Cash                | 40,000       |
| Current liabilities | 500,000      |
| Sales               | 920,000      |
| Margin              | 25%          |
| Expenses            | 15% of sales |
- Determine:
- i) Gross profit (2 mks)  
 ii) Cost of sales (2 mks)  
 iii) Mark-up (1½ mks)  
 iv) Purchases for the year (2 mks)  
 v) Net profit (2½ mks)
3. a) A certain businessman needs to place an order with his suppliers. Explain to him any five factors that he should consider before choosing the appropriate means of communication (10 mks)  
 b) Explain five adjustments that need to be made in national income accounting when using the expenditure approach (10 mks)
4. a) Outline four differences between perfect competition and monopolistic competition (8 mks)  
 b) Explain six ways in which the central bank acts as a banker to the government (12 mks)
5. a) Explain five advantages of landscape office layout (10 mks)  
 b) Explain five errors that do not affect the balancing of a trial balance (10 mks)

**NAKA EVALUATION TEST.****Kenya certificate of Secondary Education****565/1****BUSINESS STUDIES****PAPER 1****2017****TIME: 2 HRS**

1. Identify four elements of internal business environment that may positively influence the performance of business. (4mks)
2. Highlight four features of oligopoly market structures. (4mks)
3. Explain the meaning of the following terms as used in insurance. (4mks)
  - a) Speculative risk
  - b) Surrender value
4. The following features relate to warehousing. Indicate the most suitable type of warehousing described. (4mks)
  - i) Mostly situated entry points and are available at a fee.....
  - ii) Warehouse designed to suit ones particular needs.....
  - iii) Used to store locally produced goods until excise duty is paid.....
  - iv) Warehouse used to store non dutiable goods originating from within or outside the Country.....
5. State any four types of advertising (4mks)
6. Given below is a table showing the market demand for a commodity from 1996 to 2000

Year	Quantity demanded
1996	100,000
1997	120,000
1998	200,000
1999	250,000
2000	270,000

- Outline four factors that have contributed to the trend in the demand from 1996 . (4mks)
7. Give four errors that may cause a trial balance not to balance. (4mks)
  8. State four internal diseconomies of scale in a firm. (4mks)
  9. The following is a table of activities. Name the utility that is created by each activity. (4mks)

Activity	Utility
i. Making chairs from timber	
ii. Shopkeepers selling sugar to consumers	
iii. Pharmacist delivering milk to a hospital	
iv. Delivering milk to consumers early in the morning	

10. Highlight four ways in which partners may be classified giving an example in each case. (4mks)
11. For each of the following cases, name the motive for holding money. (4mks)

**Case****Motive**

- i) To meet daily transport expenses \_\_\_\_\_
- ii) To meet any unforeseen circumstances \_\_\_\_\_
- iii) To pay for daily food requirements \_\_\_\_\_
- iv) To take advantage of anticipated future fall in prices \_\_\_\_\_

12. State whether each of the following transactions will increase, decrease or have no effect on the business capital. (4mks)

Transaction	Effect on capital
i) Bought stock on credit	
ii) Owner withdrew some goods for personal use	
iii) Business made profit during the year	
iv) Paid wages by cheque	

13. The following information relates to Mwangi traders for the month of August 2008

Opening stock	Sh 40,000
Purchases	Sh 46,000
Carriage inwards	Sh 2,100
Closing stock	Sh 22,500

Goods are usually sold at a mark up of 20%.

Required : Prepare a trading account for the month ended 31<sup>st</sup> August 2008.

14. Outline four emerging trends in office management. (4mks)
15. State four circumstances under which lowering prices will not lead to an increase in the quantity demanded of a product. (4mks)

16. Highlight four principles of co-operative societies. (4mks)
17. State four ways in which the government may control monopoly power. (4mks)
18. State four factors that determine the size of a country's national income. (4mks)
19. Highlight four circumstances under which cash payment would be preferred to cheque payment. (4mks)
20. Outline four reasons why a debit note may be sent to a buyer. (4mks)
21. Outline four ledger accounts used for recording stock. (4mks)
22. Classify each of the following accounts as real, nominal or personal. (4mks)

<b>Account</b>	<b>Classification</b>
i) Dividends	
ii) Kariuki a debtor	
iii) Motor vehicle	
iv) Motor vehicle expenses	
v) Provision for depreciation on motor vehicle	
vi) Capital	
vii) Profit and loss	
viii) Premises	

23. Highlight four ways in which production activities may negatively impact on community health. (4mks)
24. Highlight four circumstances under which a proforma invoice may be used. (4mks)
25. State three means of payment used in home trade. (3mks)

**NAKA EVALUATION TEST****Kenya certificate of Secondary Education****565/2****BUSINESS STUDIES****PAPER 2****2017****TIME: 2 ½ HRS****Answer any five questions**

1. a) Using a table explain **five** differences between cooperatives and companies. (10mks)
- b) High dependency ratio on the few employed is a problem affecting most countries in the world. Explain **five** measures that each country can use to solve the problem. (10mks)
2. a) Explain **five** factors that can lead to a monopoly market structure. (10mks)
- b) Explain **five** ways how the manufacturers enhance consumer protection. (10mks)
3. a) Explain the measures the central bank can use to regulate money supply. (10mks)
- b) The government of Kenya has found it beneficial to reduce its participation in business activities. Explain **five** benefits of this. (10mks)
4. a) The trial balance below was extracted from books of Dosho stores on 30<sup>th</sup> April, 2009

**DOSHO STORES****TRIAL BALANCE AS AT 30<sup>TH</sup> APRIL, 2009**

Details	Dr (ksh)	Cr (ksh)
Sales and Purchases	14,000	214,000
Returns	4,000	8,000
Carriage inwards	3,500	
Carriage outwards	4,200	
Stock (1/5/2007)	10,000	
Discount	6,800	9,400
Electricity	4,500	
Salaries	8,600	
Motor vehicle	300,000	
Debtors and creditors	14,000	41,000
Cash in hand	15,000	
Capital		112,200
	384,600	384,600

Additional information;

Stock on 30<sup>th</sup> April, 2009 was valued at Ksh. 6500.**Required:** Prepare, a trading profit and loss account for the year ended 30<sup>th</sup> April, 2009. (12mks)

- b) Explain **four** differences between general property insurance and life insurance. (8mks)
5. a) Explain **five** merits of direct tax. (10mks)
- b) Explain **five** ways how division of labour and specialization enhances business performance. (10mks)
6. a) The following transactions relate to Makindu bookshop for the month of April 2008
  1. Makindu bookshop had cash in hand of Ksh. 15,000 and cash at bank Ksh. 40,000.
  2. Abdul settled his debt of Ksh.10,000 less 20% discount.
  9. Makindu paid house rent of Ksh. 4,000 by cash.
  12. Cash sales of Ksh. 14,000
  14. Brought into the business a personal computer worth Ksh. 20,000
  17. Purchased furniture worth Ksh. 3,000 by cheque
  18. Withdrew Ksh. 2,000 from bank for business use.
  19. Settled Asenath's debt of Ksh. 4,000 by cheque after being allowed 5% cash discount
  20. Received Ksh. 6,000 cash from Njeri, a debtor.
  21. Kambu paid Ksh. 4,000 by cheque after being allowed a discount of 20%
  25. Deposited Ksh. 1,700 in the bank from Private sources.
  26. Paid Ksh. 4000 to Ali and Ksh. 3000 to Amos after receiving a cash discount of 2% and 3% respectively.
  30. Banked all the cash except Ksh.1000.

**Required:** Prepare a three column cash book duly balanced for the month of April 2008.

- b) Explain any **four** business macro- environment factors showing how factor affects business operations. (8mks)



**TRIAL 565/1**  
**BUSINESS STUDIES**  
**PAPER 1**  
**TIME: 2 HOURS**  
**JULY/AUGUST**

1. Identify **four** types of businesses activities. (4 marks)
2. State **four** differences between goods and services. (4 marks)
3. List **four** types of utilities created by production activities. (4 marks)
4. Match the functions below with the machine as used in the office; (4 marks)  
 Communication, reproduction, filing and mailing.
5. Highlight four characteristics of capital of capital as a factor of production. (4 marks)
6. Explain briefly the following trends in form of business units. (4 marks)
  - i) Franchising \_\_\_\_\_
  - ii) Globalization \_\_\_\_\_
  - iii) Holding companies \_\_\_\_\_
  - iv) Check off system \_\_\_\_\_
7. State **four** factors to consider before a trader offers credit to a customer. (4marks)
8. State **four** reasons why there is need for consumer protection. (4 marks)
9. State **four** external diseconomies of scale. (4 marks)
10. State the type of ledger account in which each of the following relate. (4 marks)

Account	Type of ledger account
a) Interest received	
b) Customer	
c) Furniture	
d) Drawings	

11. State **four** essentials of effective communication. (4 marks)
12. State **four** reasons why a manufacturer decides to use a long chain of distribution. (4 marks)
13. State **four** factors that may limit the use of modern technology in a business office (4 marks)
14. Outline **four** current trends that the government of Kenya has encouraged in the transport sector (4 marks)
15. State **four** limitations of delocalization of firms. (4 marks)
16. The information given below was extracted from books of accounts of Tenda Traders as at 30<sup>th</sup> June 2015.

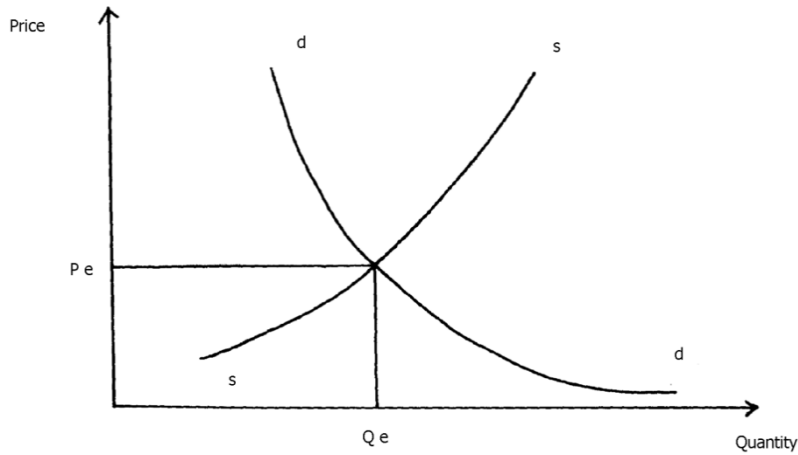
	Sh.
Land and building	450,000
Motor vehicles	640,000
Debtors	30,000
Creditors	80,000
Bank over drafts	400,000
Net profit	104,000
Drawings	104,000
Capital	?

- Using the information above, prepare Tenda Traders Balance Sheet as at 30<sup>th</sup> June 2015. (4 marks)
17. Outline **Four** principles of cooperative societies. (4 marks)
  18. Record the following transactions in the general journal (journal proper) that took place on January 2015 for Kiprono traders (4 marks)
    - (i) On January 6<sup>th</sup> Kiprono traders bought a motor van worth shs 400000 on credit from general motors.
    - (ii) On January 10<sup>th</sup> Kiprono traders sold a file cabinet to Mokaya traders on credit for sh 36000.
    - (iii) On 15<sup>th</sup> January kiprono traders donated maize flour worth ksh 20000 to a home for the elderly from business stock.
    - (iv) On 20<sup>th</sup> January kiprono converted his personal machinery to business property worth ksh 32000.
  19. The following balances were extracted from the books of Kaz Traders as 31<sup>st</sup> July 2014.
 

Current Assets	320,000
Capital	525,000
Net profit	95,000
Creditors	88,200
Accrued expenses	10,800

    - (a) Working capital (2 marks)
    - (b) Return on capital (2 marks)

20. The following diagram shows demands and supply curve of commodity.



State **four** things that will happen if the supply of the commodity is increased while demand remains constant.(4 marks)

- 21. State **four** features of perfect competition. (4 marks)
- 22. Highlight the four elements of demand for a particular commodity (4 marks)
- 23. For each of the following transaction of Kinyua traders, identify the source document and the Books of original entry in which the information is recorded. (4marks)

transaction	Source document	Books of original entry
(a) he bought goods worth ksh 40000 on credit from jitahidi traders		
(b) kinyua returned some goods to jitahidi traders worth ksh 2000.		
(c) Peter a customer bought goods worth ksh 5000 on credit.		
(d) Peter returned goods worth ksh 1000 to kinyua traders.		

- 24. State **four** functions of money. (4 marks)
- 25. State any **four** book keeping errors that may not be disclosed by trial balance. (4 marks)

**TRIAL 565/2**  
**BUSINESS STUDIES**  
**Paper 2**  
**Time: 2½ Hours**  
**JULY/AUGUST**

1. (a) **Explain** negative effects of any five macro environmental factors on a business. (10 marks)  
 (b) Explain **any five** features of a good filing system. (10 marks)
2. (a) Explain **five** measures that Kenya can take to solve the problem of unemployment. (10 marks)  
 (b) Explain **five** money transfer facilities offered by commercial banks. (10marks)
3. (a) Discuss **five** factors which influence entrepreneurship practices in Kenya. (10 marks)  
 (b) Explain **five** differences between monopolistic market structure and monopoly market structure. (10 marks)
4. (a) Explain **five** principles of insurance. (10 marks)  
 (b) Outline **five** roles of warehouses in the production process. (10 marks)
5. (a) Highlight **five** short comings encountered in measuring National income in Kenya (10 marks)  
 (b) Describe **five** ways in which the price of a product can be determined in market. (10 marks)
6. (a) Explain **five** differences between public corporation and public limited companies. (10 marks)  
 (b) The following balances were extracted from the books of Benta traders for the year ended 31<sup>st</sup> December 2016.

**Kshs**

Debtors	160,500
Rent received	36,000
Motor vehicles	850,000
Creditors	90,200
Furniture	260,500
Drawings	61,000
Salaries	120,000
Rent paid	18,200
Bank overdraft	120,000
Cooperative loan	400,000
Discount received	24,000
Gross profit	650,000
Stock	85,500
Electricity expenses	6,000
Loan interest expense	60,000
Carriage on purchases	12,000
Discount allowed	16,000
Carriage on sales	17,240
Commission paid	4,200

**Required**

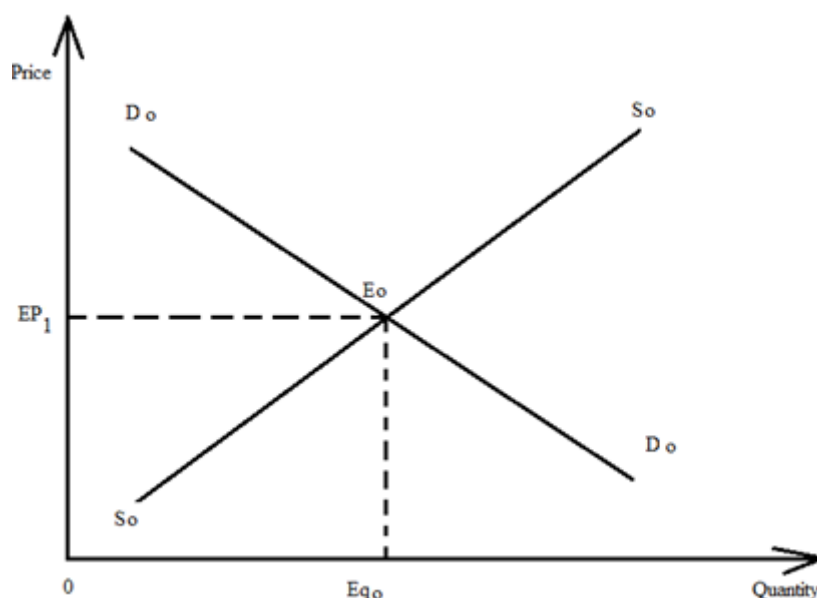
- a) Benta traders profit and loss accounts for the period ended 31<sup>st</sup> December 2016. (6 marks)
- b) Calculate.
  - i) Current ratio. (2 marks)
  - ii) Return on capital employed. (2 marks)

**CEKENAS****565/1****BUSINESS STUDIES****PAPER 1****TIME: 2 HRS**

1. Highlight four external factors that may positively influence the operation of a business (4mks)
2. Outline four reasons why choice is crucial in satisfaction of human wants. (4mks)
3. Labour is one of the key inputs in production. List down four possible rewards of labour. (4mks)
4. Highlight four factors that slow down entrepreneurial development in Kenya. (4mks)
5. Highlight four circumstances under which a trader would hire instead of purchasing an office machine. (4mks)
6. Outline five new trends in office organization today. (4mks)
7. Highlight four advantages of hire purchase to a buyer. (4mks)
8. Outline four limitations of consumers association. (4mks)
9. The following are examples of various terminologies used in transport. Name the elements associated with each example

Example	Element
Bus stop	
Bicycles	
Canals	
Animal power	

10. Write four reasons why mobile phones have become very popular. (4mks)
11. State four benefits that a government gets from a bonded warehouse. (4mks)
12. Highlight four circumstances under which an insurance company may re-insure (4mks)
13. Outline four demerits of personal selling. (4mks)
14. The diagram below shows normal demand and supply curves of maize in Uganda. On the diagram show the new equilibrium point, equilibrium price and equilibrium quantity as a result of negative change of consumer taste and preference towards maize.



15. Outline four diseconomies of scale which an expanding firm may experience. (4mks)
16. Give four disadvantages of long chain of distribution of goods to a buyer. (4mks)
17. The following are some of items that are included in the measurement of National Income (4mks)
  - a) Output of individual firms
  - b) Government wage bill
  - c) Income from government organization
  - d) Investment by private firms
  - e) Net foreign trade earnings
  - f) Private consumer expenditure
 List those items that are used in expenditure approach (4mks)
18. Kenya power is only company that distributes power in Kenya. Highlight five characteristics of the type of market structure in which the firm operates. (4mks)

19. On 1<sup>st</sup> February 2008, Bonet traders had Kshs. 3250 in the bank and Kshs. 1240 cash in hand. During the week, the following transactions took place;
- Feb. 2 Bought stock Shs. 1500 paying by cheque
  - Feb. 3 Cash sale Shs. 15,000 were made
  - Feb. 4 Banked Shs. 9800
  - Feb 7 Bought stock worth Shs. 2000 on credit
  - Feb. 8 Took all the money in the cash box to the bank leaving a balance of Shs. 1000 only. Prepare a two column cash book (4mks)

Dr				Cr				
Date	Details	Cash	Bank		Date	Details	Cash	Bank

20. Outline four uses of general journal (4mks)
21. The following information relates to Iten traders for the year ended 31/12/2008
- |                   |         |
|-------------------|---------|
| Margin            | 20%     |
| Sales             | 400,000 |
| Carriage on sales | 60,000  |
| Commission income | 20,000  |
- Calculate
- a) Mark up percentage
  - Net profit of Iten traders for the year ended 31/12/2008 (4mks)
22. Highlight four functions of money (4mks)
23. State any four causes of demand-pull inflation (4mks)
24. State four canons of government expenditure (4mks)
25. Name four factors that may hinder export promotion in Kenya (4mks)

**CEKENAS**  
**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**TIME: 2 HRS**

1. a) Explain five ways firms stand to benefit as a result of the competition of the Standard Gauge Railway in addition to Thika Super highway (10mks)
- b). Explain five ways in which Kenya can benefit from its natural resource endowment (10mks)
2. a) Underscore five circumstances that may lead to dissolution of a public limited company. (10mks)
- b) With the aid of a well labeled diagram, explain the effects of an increase in supply while holding demand constant (10mks)
3. a) Discuss the measures that a wholesaler would take to ensure smooth functioning of his/her warehouse? (10mks)
- b) Explain the five problems Kenya faces as it implements its vision 2030 strategic plan. (10mks)
4. a) Explain five causes of balance of payment deficit in developing countries (10mks)
- b) A country is experiencing a high national income but the welfare of its citizens is not good. Discuss five factors that can account for this. (10mks)
5. a) Explain five measures that can be taken by the government to solve the problem of unemployment in Kenya. (10mks)

b) The following balances were extracted from the ledger of Kamau Traders on 31<sup>st</sup> Dec. 2016

<u>Details</u>	<u>Amount (Kshs)</u>
Capital	470,400
Debtors	24,500
Creditors	63,000
Discount received	8,830
Discount allowed	6,230
Carriage outwards	14,280
Salaries	25,950
Rent	22,400
General expenses	12,950
Telephone	8,400
Drawings	23,200
Cash at bank	105,100
Cash in hand	42,600
Motor vehicle	560,000
Furniture	64,500
Closing stock	24,500
Gross profit	392,380

Required

- i) Prepare profit and loss account for the year ended 31<sup>st</sup> Dec 2016 (4 ½ mks)
  - ii) Balance sheet as at that date. (5 ½ mks)
6. a) Explain five measures that the government of Kenya has put in place to protect consumers from unscrupulous business practices. (10mks)
  - b) Record the following transactions in the relevant ledger accounts
    - 1<sup>st</sup> Jan 2016: Jomo started a business with Shs. 1,000,000 in cash
    - 2<sup>nd</sup> Jan 2016: Bought motor van for Shs. 300,000 cash
    - 4<sup>th</sup> Jan 2016 Bought fixtures on credit from Kinyua worth shs. 100,000
    - 5<sup>th</sup> Jan 2016 Paid Kinyua Ksh. 50,000 cash
    - 6<sup>th</sup> Jan 2016 Bought stock on credit from John for 4,000
    - 7<sup>th</sup> Jan 2016 Sold goods worth Sh. 2,000 to Wanjiru on cash
    - 8<sup>th</sup> Feb 2016 Returned fixtures worth Shs. 500 to Kinyua
    - 11<sup>th</sup> Feb 2016 Sold an old machine to Wanjau on credit worth 1,000
    - 15<sup>th</sup> Feb 2016 Bought goods worth shs. 5000 from Njeru on credit
    - 18<sup>th</sup> Feb 2016 Returned goods worth Sh. 500 to Njeru

**KIGUMO**  
**565/1**  
**BUSINESS STUDIES**  
**PAPER 1**  
**JULY/AUGUST -2017**  
**TIME: 2 HOURS**

1. Outline four characteristics of services (4mks)
2. State four circumstances under which one may decide to start a personal business. (4mks)
3. Highlight four ways in which consumers may protect themselves against exploitation by traders. (4mks)
4. Highlight four advantages of advertising to the consumer. (4mks)
5. Outline four methods used to determine price other than demand and supply. (4mks)
6. Outline four circumstances in which a firm may acquire monopoly power. (4mks)
7. Indicate in which ledger each of the following accounts are maintained. (4mks)

Account	ledger
(i) Kamau (creditor)	
(ii) Machinery	
(iii) Rent	
(iv) Capital	

8. State four sources of government revenue for development expenditure. (4mks)
9. The cost of consumer goods and services for a representative basket of an average family is given below  
Year                                      2014                                      2015  
Prices                                      shs 1,200                                      shs 1,800  
Determine the consumer price index using 2014 as the base year. (4mks)

10. The following information was extracted from the books of Magu Traders on 30<sup>th</sup> June, 2016.

Item	Shs.
Purchases	720,000
Opening stock	165,000
Closing stock	?
sales	960,000

Mark up. 25%

Prepare the trading account of Magu Traders for the year ended 30<sup>th</sup> June 2016.

11. Outline four characteristics of oligopoly. (4mks)
12. Highlight four factors that contribute to dominance by direct production in developing countries. (4mks)
13. Outline four ways in which the economic environment can influence the operation of a business. (4mks)
14. List four ways in which the standard gauge railway (SGR) will boost the economy of Kenya when it becomes operational. (4mks)
15. Highlight four reasons why modern business organizations are preferring landscape office layout. (4mks)
16. State four factors that makes National income figures not reliable for use to compare standards of living of different countries. (4mks)
17. Saccos are becoming increasingly popular in Kenya today. List any four factors which could be contributing to this. (4mks)
18. Give any four distinguishing features between commercial bank and non-bank financial institution. (4mks)
19. Indicate with a tick(✓) whether the following transaction will increase (+), decrease (-) or have no effect (NE) on the balance sheet totals. (4mks)

No.	Transaction	Effect on totals		
a	Owners brought in personal furniture worth shs4,500 to be used in business.			
b	Paid bank loan amounting to shs50,000 by cheque			
c	Received shs 25,000 from a debtor in cash			
d	Took some goods worth shs7,500 for use by family.			

20. Outline any four disadvantages of written communication. (4mks)
21. State four negative implication of rapid population growth. (4mks)
22. List four characteristics of chain stores. (4mks)

23. State the use of the following documents in international trade. (4mks)
- (i) Letter of hypothecation
  - (ii) Freight note
  - (iii) Commercial invoice
  - (iv) Bill of landing.
24. State four problems that are encountered at formulation stage of a development plan. (4mks)
25. State the source documents that would be used to record transaction in each of the books of original entry. (4mks)

No.	Books of original entry	Source document
a	Cash receipt journal	
b.	Purchases return journal	
c	Sales journal	
d	Petty cash book.	



**KIGUMO**  
**565/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**JULY/AUGUST 2017**  
**2 ½ hours**

1. (a) Explain **five** factors which may lead to business success. (10mks)  
 (b) Hassan Juma's truck was involved in an accident and was extensively damaged. However, despite having a policy with an insurance company, he was not compensated. Explain any **five** reasons that may have contributed to this. (10mks)
2. (a) Explain **five** trends that have been observed in forms of business units recently. (10mks)  
 (b) The demand for motorcycles has increased in the last five years. Explain five factors that would have lead to this trend. (10mks)
3. (a) Outline **five** benefits of bonded warehouse to the government of Kenya. (10mks)  
 (b) Explain any **five** types of direct tax. (10mks)
4. (a) The following information was extracted from the books of Maneno Traders in the month of January 2016.

January 1	Had cash in hand shs.20,500 and a bank overdraft of shs.9,200
January 2	Bought goods for sale shs12,400 in cash.
January 4	Made cash sales shs.13,800
January 5	Received a cheque shs22,800 from Samson after 5% cash discount.
January 8	Received shs.6,700 from Kamau in cash.
January 10	Deposited shs18,000 from cash till to the business account.
January 12	Settled Njoro's account of shs 15,000 after 2% cash discount by a cheque
January 28	paid water bills by cheque shs 1,400.
January 30	Received shs10,800 in cash from Tana Traders after a cash discount of Shs.1,200.

- Prepare a duly balanced three column cashbook. (10mks)
- (b) Explain **five** roles played by intermediaries in the chain of distribution. (10mks)
  5. (a) Small scale firms continue to exist despite of the advantages of large scale operation. Explain **five** reasons that may account for this. (10mks)  
 (b) Explain **five** reasons that may make a county adopt a protectionism policy. (10mks)
  6. The following trail balance was obtained from the books of Kathiani traders as at 31<sup>st</sup> December 2013

Kathiani traders  
 Trail balance  
 as at 31<sup>st</sup> December, 2013

Name of account	DR	CR
Land and buildings	500,000	
Capital		940,000
Plant and machinery	200,000	
Motor vehicles	300,000	
10years bank loan		200,000
2 years I.C.D.C loan		100,000
Stock	100,000	
Debtors	60,000	
Creditors		60,000
Accrued expenses		20,000
Cash at bank	100,000	
Cash in hand	20,000	
Drawing	40,000	
	1,320,000	1,320,000

- Required :
- (i) Prepare a balance sheet as at 31.12.2013 (7mks)
  - (ii) Determine
    - (a) Working capital
    - (b) Capital employed
    - (c) Borrowed capital.
  - (b) Outline five measures that Kenya may take to reduce the level of inflation. (10mks)

**WESTLANDS GRAPHICS****565/1****2017****BUSINESS STUDIES****Paper 1**

1. Identify four factors that an office owner should consider before buying office equipment. (4 marks)
  2. Highlight four ways of reducing the rate of unemployment in Kenya. (4 marks)
  3. Mention four reasons why Kenya should continue trading with other countries. (4 marks)
  4. Give four reasons why economic development is beneficial to a country. (4 marks)
  5. Identify four circumstances under which a cooperative society may be dissolved. (4 marks)
  6. State four features of a bonded warehouse. (4 marks)
  7. Identify four ways in which households may contribute to national income of this country. (4marks)
  8. Mention four circumstances in which a trader may use oral communication. (4 marks)
  9. Identify the type of demand represented by each of the following statements. (4 marks)
    - i) Demand for a commodity causes an increase in demand for another commodity.
    - ii) Demand for one commodity calls for demand of another commodity.
  10. The following balances were extracted from the books of Toroto Traders Ltd on 30th July 2015.
 

	Shs.
Fixed assets	300,000
Current assets	123,700
Creditors	84,000
5 year loan (Makueni Sacco)	125,000
- Determine the networth of Toroto Traders Ltd as at 30th July 2015. (4 marks)
11. Indicate the type of journal in which each of the following transaction would be recorded. (4 marks)
    - a) Goods previously sold on credit were returned
    - b) Goods bought on credit.
    - c) Motor vehicle sold on credit
    - d) Goods sold for cash
  12. Identify four items that usually appear on the credit side of the current account of a country. (4 marks)
  13. State four benefits that may accrue to a business from a country's political stability. (4 marks)
  14. Identify four reasons why hypermarkets are increasingly becoming popular in Kenya. (4 marks)
  15. For each of the following transactions indicate the account to be debited and account to be credited in the spaces provided. (4 marks)

Transaction	Debit	Credit
a) Rachael, a proprietor converted a private car for use in the business		
b) Bought furniture and paid by cheque		
c) Withdrew cash from the business bank account to pay for daughter's school fees		
d) Paid creditors by cash		

16. List down four documents at the inquiry stage in home trade. (4 marks)
17. Outline four factors that may positively influence entrepreneurial practices in Kenya today. (4 marks)
18. Explain briefly the meaning of the following terms as used in accounting.
  - a) Net worth
  - b) Purchases ledger
  - c) Contra entry
  - d) Trading account

19. Identify the type of utility created in each of the following activities.

(4 marks)

Activity	Type of utility
a) Roasting maize	
b) Delivering milk to school early in the morning	
c) Importing 200 bags of maize from Ethiopia	
d) A shopkeeper selling in a shop	

20. State four most current methods of promoting sales by businessmen.

(4 marks)

21. Mention four benefits that a firm may enjoy by preparing a business plan.

(4 marks)

22. Highlight four ways the government engages in business activities.

(4 marks)

23. State four reasons that make it challenging to satisfy all human wants.

(4 marks)

24. Outline four after sales services that a trader may provide to a buyer.

(4 marks)

25. Mention four roles of intermediaries in the distribution chain.

(4 marks)

**WESTLANDS GRAPHICS****565/2****2017****BUSINESS STUDIES****Paper 2****ANSWER ANY FIVE QUESTIONS**

1. a) Explain five features of monopolistic competition market. (10 marks)
- b) Explain effects of five of the external environments on a business. (10 marks)
2. a) Highlight four reasons for the popularity of radio broadcast in making announcements. (8 marks)
- b) The following balances were extracted from the books of Naola Traders on 31st May 2017

Building	750,000
Creditors	800,000
Debtors	850,500
Motorcar	550,000
Machine	800,500
Stock	75,000
Fittings and furniture	230,000
Gross profit	2,060,200
Bank	170,000
Cash	180,000
Discount received	66,100
Discount allowed	7,500
General expenses	117,800
Capital	900,000
Commission allowed	4,600
Rent	12,400
Salaries	78,000

Required :

Prepare :

- i) Profit and loss A/C (5 marks)
- ii) A balance sheet (7 marks)
3. a) Explain five differences between a private limited company and a public limited company. (10marks)
- b) Explain five reasons for the government of Kenya insisting on payment of tax by all the people. (10 marks)
4. a) Explain five benefits Kenya would enjoy by being a member of international monetary fund (IMF)(10 marks)
- b) The issue of unemployment is still a matter of concern in Kenya. Explain five measures the government of Kenya should put in place to reverse the trend. (10 marks)
5. a) Explain the uses of any five books of original entry. (10 marks)
- b) You have just won a prize of matatu vehicle through a lottery and you intend to operate a 'matatu' business. Explain five possible risks that you can insure your business against. (10 marks)
6. a) Highlight four differences between a movement along a demand curve and a shift of a demand curve.(8 marks)
- b) The following were the balances of Ochwotho trader as at 1st May 2017. Cash sh.40,000 and bank overdraft of sh.17,000. During the month, the following transactions took place:

May 2nd	Musasa a debtor settled his account of sh.32,000 by cheque of sh.30,000
4th	Paid salaries and wages for sh.16,000
10th	Deposited sh.12,000 into the business bank account from the cash till
14th	Settled Wario's account of sh.40,000 and he was allowed a discount of 1% through a cheque
16th	Deposited sh.56,000 into the bank from private source
18th	Sold goods for cash sh.24,000
20th	Mutua a debtor settled his account by a cheque of sh.16,000 having been allowed a discount of 2%
24th	Purchased furniture worth sh.10,400 paying by cheque
26th	Received sh.7200 cash from Ototo
30th	He banked all the available cash except 3,200

Required :

Prepare a 3 column cash book duly balanced.

(12 marks)

**GITUAMBA LAIKIPIA**  
**565/1**  
**2017**  
**BUSINESS STUDIES**  
**PAPER 1**  
**TIME: 2 HOURS**

1. Give **four** features of departmental stores. (4mks)
2. Mention four roles played by intermediaries in the chain of distribution. (4mks)
3. State four factors that encourage entrepreneurship in Kenya (4mks)
4. State four features of open office plan layout. (4mks)
5. Highlight four reasons why the government issues trading licenses to traders. (4mks)
6. State four factors to be considered in determining the premiums to be paid in life assurance (4mks)
7. Give four merits of a current bank account. (4mks)
8. Outline four emerging trends in office management. (4mks)
9. The following is a cash book that was extracted from Manyatta traders for the month of February 2009.

**Manyatta Traders**  
**Cash Book for the month of February 2009**

DR (Receipts)					(Payments) CR				
Date	Particulars	Disc all	Cash	Bank	Date	Particulars	Disc Rec	Cash	Bank
2004					2004				
Feb 1	Bal. b/d		2,000	5,000	Feb 15	Bank c <sub>1</sub>		15,000	
" 12	Wanjala	1,000	19,000		" 26	Njeru	850		17,000
" 15	Cash c <sub>1</sub>			15,000	" 27	Bal. c/d		6,000	3,000
		1,000	21,000	20,000			850	21,000	20,000
"27	Bal. b/d		6,000	3,000					

- Describe the transactions which took place on the dates given below. (4mks)
- (i) February 1
  - (ii) February 12
  - (iii) February 15
  - (iv) February 26
10. Highlight four reasons why the governments levy taxes. (4mrks)
  11. Outline four differences between whole life insurance policy and endowment insurance policy. (4mks)
  12. Outline four disadvantages of a landscape office layout. (4 mks)
  13. Highlight four differences between whole life policy and endowment policy. (4 mks)
  14. Highlight four reasons why economic planning is important to a country. (4mks)
  15. Mention four indicators which show that a country has undergone economic development. (4mks)
  16. State four limitations of billboards as a tool of product promotion. (4mks)
  17. Give the difference between the following classes of goods. (4mks)
    - a) Shopping and convenience goods.
    - b) Material and non-material goods.
  18. Highlight four functions of advertising agencies to an advertiser. (4 mks)
  19. State four negative effects of hyperinflation (4 mks)

20. The Smart Business Ltd had the following information for the year ended 31st December 2012.

Shs.	
Bicycle	3,000
Debtors	2,000
Premises	50,000
5 year Bank loan	20,000
Creditors	5,000
Furniture	7,000
Stock	10,000
Cash at hand	4,000

Prepare a balance sheet as at 31st December 2012. (4mks)

21. Highlight four qualities needed of a commodity to function as money. (4mks)

22. The table below shows items related to the measurement of national income. Name the measurement approach applicable to each item. (4mks)

ITEM	MEASUREMENT APPROACH
1. Receipt for transport income	
2. Government investments	
3. Net foreign trade balances	
4. Grinding maize into flour	

23. List four distinctive feature of a tied shop. (4mks)

24. State four requirements of opening a bank account. (4mks)

25. From the following information given below plot a supply curve. (4 marks)

Price (sh)	Quantity supplied (kg)
40	85
35	70
30	60
25	45
20	40
15	25
10	10

**GITUAMBA LAIKIPIA**  
**565/2**  
**BUSINESS STUDIES**  
**2017**  
**Paper 2**  
**June/July 2017**

---

1. a) Explain **five** external factors that influence the success of a business. (10mks)  
b) Discuss **five** advantages of a bonded warehouse. (10mks)
  
2. a) Outline five roles of warehouses in the production process. (10 mks)  
b) Explain five ways through which the national income statistics can be used in a country. (10 mks)
  
3. a) Explain five circumstances under which oligopoly market structure may arise. (10mks)  
b) Explain five disadvantages of using SMS (Short Text Messages) in mobile mobile telephones. (10mks)
  
4. a) Ordinary shares and debentures are both sources of capital to limited liability companies. Outline five differences between the two. (10mks)  
b) Explain any five factors that may cause a decrease in supply of a commodity in the market. (10mks)
  
5. a) Explain five factors that would account for a shift in the supply curve to the left. (10 mks)  
b) Explain five conditions that would be fulfilled in order for an insurance. Contract to operate legally. (10mks)
  
6. a) Explain five uses of a business plan to an entrepreneur. (10mks)  
b) Discuss five ways that the government can use to promote local trade. (10 mks)

**IMENTI CENTRAL****565/1****BUSINESS STUDIES****PAPER 1****FORM FOUR****END OF TERM TWO EXAM 2017**

1. State four problems faced by consumers in satisfying human wants. (4mks)
2. Highlight four reasons why public relation is a popular way of product promotion among banks. (4mks)
3. List four advantages of indirect tax. (4mks)
4. Outline four characteristics of under development. (4mks)
5. Highlight four ways in which a legal-political environment can negatively impact on entrepreneurs. (4mks)
6. State four factors to be considered when determining premiums to be paid in life assurance. (4mks)
7. State four reasons that may prompt an investor to locate his firm near the market. (4mks)
8. For each of the following transaction, indicate with a tick ( $\checkmark$ ) in the space provided, whether it will increase, decrease or have no effect on the balance sheet totals.

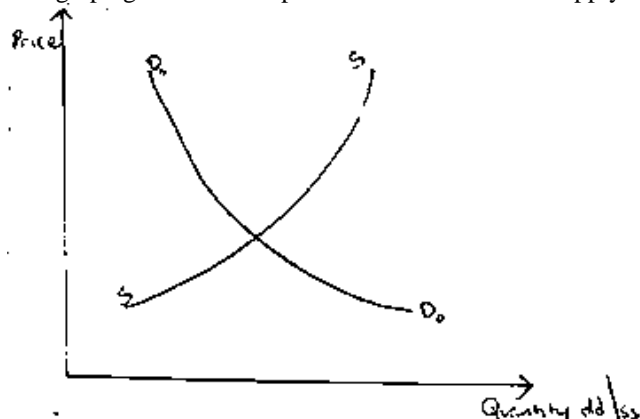
	Transaction	Effect on balance sheet totals		
		Increase	Decrease	No effect
a)	Investing more cash into the business			
b)	Paying creditors in cash			
c)	Buying furniture in cash			
d)	Paying a creditor using money from private sources			

9. Outline four conditions that would necessitate the writing of a credit note. (4mks)
10. Highlight four roles played by intermediaries in distribution chain. (4mks)
11. The following transactions relate to Kiringeti stores as at 28<sup>th</sup> February 1998. Balance from the previous day, cash sh. 4,000 Purchased stock on credit from Jaredi sh. 100,000 withdrew sh. 2,000 from office cash and deposited it into the bank.

**Required**

Enter the above transactions in the appropriate ledger accounts. (5mks)

12. Outline four factors that may contribute to the ineffectiveness of a warehouse. (4mks)
13. The graph given below represents the demand and supply curves of maize.



State the effect of a shift of demand curve to the right.

14. List four problems faced by countries that engage in direct production. (4mks)
15. State the term given to each of the following disciplines in business. (4mks)
  - a) Study of how man strives to satisfy his unlimited wants using the limited resources
  - b) Study of two process of identifying a business opportunity and acquiring resources to start and operate a business.
  - c) Study of trade and aids of trade. ...
  - d) Refers to a systematic way of recording business activities which are used for decision making.
16. Journalize the following credit purchases credit purchases from 2010 December
  - 1: Anwar, invoice number 214 sh. 3,000
  - 8: Yassin invoice number 309 ksh. 2500
  - 20: Anwar invoice number 640 sh. 4300
  - Luseno invoice number 400 ksh. 5400



17. The following balances were extracted from the books of Anyang's wholesalers for the year ended 31 December 2010.

Sales	800,000
Purchases	420,000
Opening stock	90,000
Closing stock	50,000
Debtors	130,000
Creditors	90,000
Calculate	

- a) Margin (2mks)  
b) Rate of stock turn over (2mks)
18. Highlight four reasons why consumers need to be protected. (4mks)  
19. Outline four features of oligopoly market structures. (4mks)  
20. Highlight three circumstances in which a cheque may be used to make payment. (3mks)  
21. State four services offered by agents in banking sector. (4mks)  
22. Lucy a newly employed teacher has joined Mwalimu SACCO in Meru outline four benefits to Lucy for being a member of the SACCO. (4mks)  
23. Outline four measures a county may take to reduce imports. (4mks)  
24. State four levels of inflation. (4mks)  
25. Highlight four market gaps that give rise to a business opportunity. (4mks)

**IMENTI CENTRAL**  
**562/2**  
**BUSINESS STUDIES**  
**PAPER 2**  
**JULY 2017**

1.
  - a) Explain five factors to be considered when designing an office. (10marks)
  - b) Explain five uses of National Income statistics to an economy. (10marks)
2.
  - a) Explain five features that differentiate a public company from a public corporation. (10marks)
  - b) Outline five measures that can be used to curb inflation in Kenya. (10marks)
3.
  - a) Explain five emerging issues of transport in Kenya today. (10marks)
  - b) Explain five ways in which commercial banks help in facilitating business activities in a country. (10marks)
4.
  - a) Explain five characteristics of a successful entrepreneur. (10marks)
  - b) Prepare a duly balanced three column cash book from the following information extracted from the books of Trendy Traders in the month of January 2016.
 

Jan 1: Balance b/d. cash sh.4000. Bank sh.2700(cr)

Jan 4: Settled Alweny creditors account of sh.8000 by cheque having deducted 6% cash discount.

Jan 7: Bought goods on credit worth sh.5000 from Were traders.

Jan 8: Received shs.6000 cash from Mutoma Traders

Jan 16: Deposited shs.4 500 to the bank for private use.

Jan 29: Received shs.19 950 from Kahawa by cheque after allowing 5% cash discount

Jan 31: Banked all the cash leaving sh.1 500 in the office (10marks)
5.
  - a) The East African Countries are moving towards an integrated economy. Explain five benefits that may accrue to the citizens due to this development. (10marks)
  - b) Outline five measures that may be taken to solve unemployment in Kenya. (10marks)
6.
  - a) The following balances were extracted from the books of Wema company limited as at 31<sup>st</sup> December 2012.
 

	Shs
Cash at hand	1 200
Cash at bank	11 000
Stock 1.1.2012	21 000
Office rent	1 700
Debtor	8 000
Bank loan	30 000
Creditors	10 000
Furnitures and fittings	7 500
Returns inwards	500
Stock 31.12.12	13 500
Sales	56 000
Purchases	20 500
Drawings	900
Capital	14 900
Salaries	4 000
Water and lighting	600
Postage	200
Motor van	35 000
  - b) Prepare Wema ltd. Trading Profit and Loss A/C for the year ended 31<sup>st</sup> December 2012.
  - c) Explain five factors to consider when choosing a means of communication. (10marks)

**MURUKA KANDARA**  
**BUSINESS STUDIES**  
**FORM 4**  
**Paper 1**  
**JULY 2017**

1. Outline **four** benefits that a business gain from its environment. (4mrks)
2. Highlight **four** limitation that small scale retailer operators face. (4mrks)
3. Give **four** factors that influence the location of a public warehouse. (4mrks)
4. Outline **four** ways in which inflation can be controlled by the government. (4mrks)
5. State **four** circumstances that would make the volume of stock change in a business. (4mrks)
6. Give **four** circumstances when a country may be forced to control her imports. (4mrks)
7. Highlight **four** uses of National Income statistics. (4mrks)
8. State **four** challenges that a business with no plan will encounter in its operations. (4mrks)
9. Highlight **four** merits of indirect tax in the Kenyan economy. (4mrks)
10. State **four** services that the central bank of Kenya offers to commercial banks. (4mrks)
11. Outline **four** strategies that can be used by small scale firms in order to expand. (4mrks)
12. Highlight any **four** contemporary trends of communication in Kenya today. (4mrks)
13. Highlight **four** reasons why the owner of a small business enterprise would prefer to a advertise his goods through internet. (4mrks)
14. Outline **four** roles played by Licensing as a government regulatory tool. (4mrks)
15. State **four** reasons why land is considered a prime factor of production. (4mrks)
16. State **four** benefits of replacing manual system with automatic one in carrying out office activities. (4mrks)
17. Outline **four** features of a general or property Insurance policy. (4mrks)
18. Outline **four** differences between the liners and tramps in sea transport. (4mrks)
19. Outline **four** measures being used by the government to control high rate of unemployment in Kenya. (4mrks)
20. For each of the following transactions indicates in the space provided the type of journal in which the record would be made. (4mrks)

Transaction	Journal
(i) Motor vehicle bought on credit	
(ii) Bought goods on credit	
(iii) Returned goods to credit suppliers	
(iv) Sold goods on credit	

21. The following balance were extracted from the books of Kiboko Traders on 31<sup>st</sup> January 2014.

	SHS.
Carriage outwards	1,800
Capital	10,000
Commission allowed	2,500
Drawing	1,500
Discount received	1,750
Furniture	8,200
Commission received	1,200
Creditors	1,050

Required: Prepare Trial balance as at 31 January 2014.

22. Outline **four** indicators of economic development. (4mrks)
23. The following information were extracted from books of Jumbo Traders on 31<sup>st</sup> December 2013. (4mrks)

	SHS.
General expenses	
Discount allowed	
Discount received	
Gross profit	
Salaries	
Rent payment	
Electricity	

**Required:** Repair a profit and Loss account for Jumbo Traders for the period ended 31<sup>st</sup> December 2013

24. The following transaction relate to the Masumbuko traders on 1<sup>st</sup> January 2014. (4mrk)
- (i) Started business with shs. 250,000 cash in Bank.
- (ii) Bought goods for shs. 200,000 from Otieno on credit.

26. Nyayo Traders had the following during the year 2013.

	SHS.
Capita 1- 1- 2013	420,000
Net profit	70,000
Drawing	130,000
Capital 31-12-2013	500,000

**Required:** Find the value of investment?

**MURUKA KANDARA**  
**565/2**  
**BUSINESS STUDIES**  
**FORM 4**  
**Paper 2**

- 1) a) Bidii Nyakio is a large-scale retailer shops in Nairobi, Machakos, Nyeri and Nakuru. Explain **Five** benefits of operating such shops. (10Marks)
- b) Outline **Five** principles of taxation. (10 Marks)
- 2) a) Buildings in business centers are constructed in a way to display the goods on sale. Explain **Five** disadvantages of using that technique of sales-promotion. (10 Marks)
- b) Explain **Five** factors that account for the existence of small firms. (10 Marks)
- 3 a) Explain **Five** factors that retard development in most developing nations? (10 Marks)
- b) Explain **Five** types of unemployment in developing countries. (10 Marks)
4. a) Record the following transactions in Muema's three column cashbook and balance it off as at 30<sup>th</sup> June 2012. (12 marks)

**2012**

June 2. KCB loan received by cheque Sh. 250,000

June 4. Cash sales amounting to Sh. 30,000.

June 6. Bought stock worth Sh. 70,000 and paid by cheque less 8% discount.

June 9. Received sh. 25,000 from Mr. Lonyangapuo a debtor by cheque after allowing 2% cash discount.

June 10. The proprietor took Sh.10,000 cash for his son's birthday party.

June 12. Withdrew Sh.48,000 from the bank for office use.

June 15. Murgor settled his account of shs. 45,000 by cheque.

June 18. Paid wages Sh.10,000 Cash.

June 20. Murgor's cheque was dishonoured.

June 27. Sold goods worth Sh. 68,000 receiving Sh.28,000 cash and the rest by cheque.

June 30. Transferred all cash to the bank Except Sh.8,000.

- b) Explain **Four** ways through which the central bank control inflation. (8marks)
- 5 a) Explain **Five** Measures to safeguard the property of an organization (10 marks)
- b) Explain **Five** Reasons that account for popularity of SACCOs in Kenya (10 marks)
- 6 a) The following Trial Balance was extracted from the books of Umoja General Merchants on 31 December 2013. (10 Marks)

**Umoja General Merchants**  
**Trial Balance as at 31 December 2013**

	Dr.	Cr.
Motor vehicles	322,500	
Purchases	157,500	
Sales		337,500
Premises	412,500	
Drawings	7,500	
Capital		741,750
Bank		9,750
Cash	48,000	
Debtors	52,500	
Creditors		22,500
Stock	30,000	
Discounts	7,500	3,000
Returns	18,750	23,250
Salaries	75,000	
Power and Lighting	6,000	
	<b>1,137,750</b>	<b>1,137,750</b>

Stock as at 31 December 2013 was valued at Sh.16,500.

**Required:**

- i) Prepare the Trading and Profit and Loss Account for the year ending 31 December 2013. (7 Marks)
- ii) Balance Sheet as at 31 December 2013. (5 Marks)
- b) Explain **Four** reasons why entrepreneurship is important to an economy. (8 Marks)

**MURANG'A SOUTH A****565/1****2017****BUSINESS STUDIES.****PAPER 1****FORM 4**

1. State four ways in which knowledge of business studies would benefit a secondary school leaver. (4mks)
2. Give four reasons why one would prefer a partnership instead of a sole proprietorship? (4mks)
3. Identify (by ✓) whether the following factors form the external or internal environment. (4mks)

Factors	External	Internal
a) Recruitment of workers		
b) Political stability		
c) Development of infrastructure		
d) Purchase of modern equipment		

4. State four characteristics of economic resources. (4mks)
5. Highlight four roles of warehousing in promotion of trade. (4mks)
6. Highlight four circumstances under which an insurance contract can be terminated. (4mks)
7. Outline four reasons why government of Kenya preferred to privatize state owned business enterprises. (4mks)
8. State the books of original entry in which each of the following transactions would be recorded.

Transactions	Book of original entry
a) Sold machine on credit	
b) Received sh 40,000 cash from Mutua a debtor.	
c) Sold goods worth sh 20,000 on credit to jirani stores.	
d) Returned goods previously bought to rajab traders.	

9. State four advantages of using m-pesa account to an individual. (4mks)
10. Outline four steps involved in personal selling. (4mks)
11. Highlight four challenges that may be encountered by using a long channel to distribute farm produce. (4mks)
12. State four business documents to which each of the following relates.

Statement	Document
(a) Informs the buyers when goods were dispatched.	
(b) A request by seller for payment in advance	
(c) Used to correct undercharge in an invoice	
(d) Show details of transaction between sellers and buyers.	

13. State four circumstances which a firm may choose to operate on small scale basis. (4mks)
14. The following information was extracted from the books of Juma stores on 31<sup>st</sup> march 2010

	Sh
Stock 1 <sup>st</sup> april 2010	8000
Stock 31 <sup>st</sup> march 2011	9000
Purchases	4500
Sales	21000

Calculate

- i) Margin (2mks)
- ii) Rate of stock turnover. (2mks)
15. Outline four causes of demand pull inflation. (4mks)
16. The following balances were extracted from books of Rapu merchants for the year ended 31<sup>st</sup> Dec 2006.

	Sh
Land	110,000
Debtors	64,000
Capital	166,100
Sales	95,000
Purchases	58,000
Stock	35,000
Creditors	47,700
General expenses	41,800

- Prepare a trial balance as at 31<sup>st</sup> Dec 2016 (4mks)
17. Highlight four negative implication of rapidly growing population in a country (4mks)
18. Mention four circumstances under which a producer will find it necessary to transport goods by train. (4mks)
19. State four features of oligopoly market. (4mks)
20. In the spaces provided write decrease, increase or no effect to show the effects of each one of the following transactions on assets, liabilities or capital.

Transaction	Asset	liabilities	capital
(a) Bought furniture on credit			
(b) Paid creditors by cash			
(c) Withdrew goods for personal use			
(d) Converted personal van for business use.			

21. Give four reasons why a manufacturer may offer after sale services to his customers. (4mks)
22. Outline four features of capital as a factor of production. (4mks)
23. State four characteristics of direct production. (4mks)
24. Identify the office equipment that is used in each of the purposes. (4mks)
- (a) Printing postage impressions on envelope .....
- (b) Preparing cash receipts.....
- (c) Cutting unwanted documents into tiny pieces.....
- (d) Pinning papers together.....
25. Give four circumstances under which a person could use signals to communicate with another. (4mks)

**MURANG'A SOUTH A**  
**565/2**  
**BUSINESS STUDIES.**  
**FORM 4**  
**JULY 2017**

1. a) State and explain FIVE services offered by wholesalers to retailers. (10marks)  
 b) Explain five advantages accruing to the country that have joined economic bloc (10marks)
- 2 a) Explain five barriers to effective communication (10marks)  
 b) Explain five monetary policies that Kenyan government uses to control supply of money in the economy. (10 mark)
- 3 a) Makini clinic has been experiencing difficulties in accessing clinics files. Explain five features of a good filing system (10 marks)  
 b) Demand for Subaru cars has been declining for the last two years. Explain five factors that could have caused this trend. (10marks)
- 4 a) Explain five ways in which an efficient road transport system may promote trade in a county. (10marks)  
 b) The following information relates to Jamu traders as at 31<sup>st</sup> Dec. 2009.
- |                           |         |
|---------------------------|---------|
| Opening stock             | 60,000  |
| Purchases                 | 161,000 |
| Sales                     | 208,000 |
| Carriage lunkards         | 11,000  |
| Salaries                  | 22,000  |
| Telephone charges         | 5,000   |
| Water bills               | 2,100   |
| Electricity charges       | 2,000   |
| Insurance                 | 1,000   |
| Discount received         | 7,500   |
| Additional information    |         |
| Telephone charges prepaid | 1,100   |
| Outstanding water bill    | 1300    |

**Required**

- Prepare trading profit and loss A/C for the period ended 31<sup>st</sup> Dec. 2009 (10marks)
- 5 a) Unemployment has been used as campaign agenda in developing counties. Explain five causes of unemployment in these counties.  
 b) Explain five uses of national income statistics.
- 6 a) Explain five principles of insurance. (10marks)  
 b) On 1<sup>st</sup> February 2010, Juma traders had Ksh. 55,000 cash in hand and shs. 250,000 at bank. The following transactions took place during the month
- Feb 2 Cash sales banked shs. 35260  
 Feb 3 Bought furniture in cash shs. 4,500  
 Feb 8 Paid Wafula, a creditor, shs. 94000 by cheque in full settlement of his account after deducting 6% cash discount.  
 Feb 12 Received a cheque for shs. 58800 from Wandia after allowing her a cash discount of shs. 1200.  
 Feb 15 Paid Salaries shs. 34000 in cash  
 Feb 20 Withdraw shs. 50,000 from bank for offices use.  
 Feb 23 Bought office equipment by cheque sh. 35,000  
 Feb 25 Anyango, a debtor, paid her account of shs. 75000 by cheque less 10% cash discount.  
 Feb 28 Deposited all cash into bank except shs. 13700

**Required**

- Prepare a three column cash book and balance it off. (10marks)



**MURANG'A SOUTH B**  
**565/1**  
**BUSINESS STUDIES.**  
**PAPER 1**  
**FORM 4**

1. Identify the following categories of goods. (4mks)

Description	Class
(a) Goods that have no economic value	
(b) Goods that are intangible in nature	
(c) Goods that belong to the community or government.	
(d) Goods used as inputs to produce other goods.	

2. State four reasons for dishonouring a cheque. (4mks)  
 3. Mention four ways in which business ideas can be generated. (4mks)  
 4. Outline four difficulties faced by human being in satisfying their wants. (4mks)  
 5. Highlight four assumptions used in the circular flow of income. (4mks)  
 6. Give four differences between monopoly and oligopoly market structures. (4mks)  
 7. State four services that are rendered by the central bank to commercial banks. (4mks)  
 8. Classify each of the accounts indicated as either real, nominal or personal. (4mks)

Account	Classification
(a) Discounts received A/c	
(b) Kamau (a debtor) A/c	
(c) Premises A/c	
(d) Salary expense A/c	

9. Outline four advantages of warehousing to a retailer. (4mks)  
 10. State four benefits of "pooling of risks" to insurance company. (4mks)  
 11. Mention four consequences of a rapidly increasing population. (4mks)  
 12. Outline four features of a private company. (4mks)  
 13. Outline four benefits that may accrue to a business person who uses e-mail to communicate. (4mks)  
 14. For each of the following transactions in the table below, indicate in the spaces provided, the source document from which the transaction would be recorded. (4mks)

Transaction	Source document
(a) sale of goods on credit	
(b) Correction of an under charge in the invoice.	
(c) purchases on credit	
(d) Cash payments for goods.	

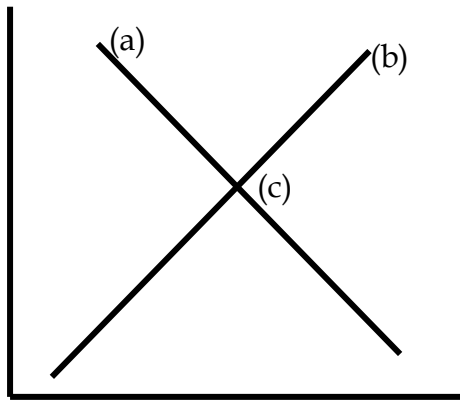
15. Outline four measures that Kenya government may put in place to reduce inflation in Kenya. (4mks)  
 16. The following information relates to Kenol traders as at 30<sup>th</sup> June 2016.

Premises	sh 400,000
Debtors	sh 160,000
Machinery	sh 200,000
Furniture	sh 100,000
Cash	sh 10,000
Bank overdraft	sh 100,000
Creditors	sh 40,000

Calculate capital for Kenol traders as at 30<sup>th</sup> June 2016.

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

(5mks)



(a) Label the curves (a) and (b).

(b) State what is represented by point (c).

(c) On the diagram indicate equilibrium price ( $p_e$ ) and equilibrium quantity ( $q_e$ ).

18. List four complaints that may be received from consumers due to exploitation by traders.

(4mks)

19. State four advantages of an open office layout to an organization.

(4mks)

20. The following information relates to Mulango Traders for the period ended 30<sup>th</sup> June 2015.

Sales	sh 150,000
Opening stock	sh 25,000
Purchases	sh 130,000
Profit margin	sh 20%

Required:

Prepare a trading account for the year ended 30<sup>th</sup> June 2015.

21. Highlight four factors that may lead to the success of a business.

(4mks)

22. State four circumstances under which a businessman would choose to transport goods by air.

(4mks)

23. State four reasons why it may be necessary for Kenya to control imports.

(4mks)

24. Highlight four factors that determine the size of a firm.

(4mks)

25. State the level of production in each of the following activities.

(4mks)

Activity	Level of production.
(a) cooking meals for students	
(b) harvesting maize	
(c) distribution of kerosene	
(d) boiling milk using electricity	

**MURANG'A SOUTH B**  
**565/2**  
**BUSINESS STUDIES.**  
**PAPER 1**  
**FORM 2**

1. a) Explain five functions of money (10mks)  
 b) Differentiate between a public limited company and a partnership (10mks)
2. a) Explain five principles that guide the tax system in a country (10mks)  
 b) Labour is one of the basic factors of production. Outline five measures that a business can take to increase the productivity of its labour force (10mks)
3. a) With the aid of a diagram, explain the effects of an increase in supply on equilibrium price and quantity of a commodity (10mks)  
 b) Discuss five causes of unfavourable balance of payment for most developing countries (10mks)
4. a) Explain five factors that influence the choice of a channel for distributing flowers (10mks)  
 b) Explain five circumstances that would influence a producer to use wholesalers in distributing farm produce (10mks)
5. a) The following balances relate to Msafiri traders as at 31<sup>st</sup> December 2014

	Sh
Purchases	900,000
Stock 1.1.2014	230,000
Buildings	1,200,000
Motor vehicles	750,000
Returns outwards	50,000
Debtors	190,000
Creditors	310,000
Loan from IDB	600,000
Cash	130,000
Bank	270,000
Drawings	100,000
Capital	1,840,000
Net profit	170,000

Additional information

- i) Stock 31/12/14 280,000
  - ii) Expenses (including carriage inwards Shs. 150,000) 250,000
- Required
- a) Balance sheet as at 31<sup>st</sup> December 2014 (6mks)
  - b) Calculate
    - i) Mark-up percentage (5mks)
    - ii) Return on capital employed (2mks)
  - b) Explain five problems associated with a sole proprietorship form of a business (10mks)
6. a) Businesses are adopting new technology in their operations. Explain five limitations of adoption of this practice (10mks)
  - b) The following balance sheet was extracted from the books of Sagana traders on 1<sup>st</sup> April 2015

Sagana Traders  
 Balance sheet  
 As at 1<sup>st</sup> April 2015

Sh		Sh.	
Equipment	200,000	Capital	415,000
Furniture	82,000	Mutai (creditor)	27,000
Stock	140,000		
Cash	20,000		
	442,000		442,000

the following transactions took place during the month of April 2015

4<sup>th</sup> April: Sagan traders sold her personal assets for sh. 30,000 receiving payment by cheque which she invested in the business

10<sup>th</sup>: She purchased goods for sh. 29, 000 on credit from Mutai

19<sup>th</sup> April: She returned goods worth sh. 3,000 to Mutai after they were found defective.

Required

- a) Open the ledger accounts record the above transactions and balance them off.
- b) Extract a trial balance (10mks)

**MURANG'A SOUTH C**  
**565/1**  
**BUSINESS STUDIES.**  
**PAPER 1**

1. Identify with a tick (✓), whether the following factors are either external or internal environment (4mks)

Factors	External	Internal
a. Recruitment of workers		
b. Political stability		
c. Development of infrastructure		
d. Purchase of modern equipments		

2. Give four reasons why a manufacturer may offer after sales services to his customers (4mks)  
 3. Highlight four factors that may lead to the success of a business (4mks)  
 4. State four circumstances under which a firm may choose to operate on small-scale basis (4mks)  
 5. List four complaints that may be received from customers who are exploited (4mks)  
 6. Outline four reasons why a properly drawn cheque may be dishonoured (4mks)  
 7. Highlight four challenges that may be encountered by using a long channel to distribute farm produce (4mks)  
 8. State four advantages of using M-pesa account to the account holder (4mks)  
 9. In the spaces provided, write decrease, increase or no effect to show the effect of each of the following transactions on assets, liabilities and capital (4mks)

Transaction	Assets	Liability	Capital
a. Bought furniture on credit			
b. Paid creditors by cheque			
c. Withdrew goods for personal use			
d. Converted personal van for business use			

10. State four reasons why it may be necessary for Kenya to control imports (4mks)  
 11. Highlight four assumptions applied in the circular flow of income (4mks)  
 12. Give four differences between monopoly and oligopoly market structure (4mks)  
 13. Outline four benefits that may accrue to a business person who uses e-mail to communicate (4mks)  
 14. Outline four reasons why government of Kenya preferred to privatize state owned business enterprises (4mks)  
 15. Identify the office equipment that is used in each of the following purpose (4mks)  
 (a) Printing postage impression on envelope .....  
 (b) Preparing cash receipts .....  
 (c) Cutting unwanted documents into tiny pieces .....  
 (d) Pinning papers together .....

16. State the books of original entry in which each of the following transactions would be recorded (4mks)

Transaction	Book of original entry
(a) Sold machine on credit	
(b) Received sh. 40,000 cash from Mutua, a debtor	
(c) Sold goods worth sh. 20,000 on credit to Jirani Stores	
(d) Returned goods previously bought to Rajab Traders	

17. Highlight four negative implication of rapidly growing population in a country (4mks)  
 18. The following information related to Muhongo Traders for the period ended 30<sup>th</sup> June 2015.

	Sh.
Sales	150,000
Opening stock	25,000
Purchases	130,000
Profit margin	20%

Required

- Prepare a trading account for the year ended 30<sup>th</sup> June 2015 (4mks)

19. State four factors that decrease demand for a good (4mks)  
20. Highlight four roles of warehousing in promotion of trade (4mks)  
21. State four benefits of “pooling of risks” to the insurance company (4mks)  
22. Outline four characteristics of economic resources (4mks)  
23. Classify each of the accounts indicated as real, nominal or personal (4mks)

<b>Account</b>	<b>Classification</b>
(a) Discounts received a/c	
(b) Kamau (a debtor) a/c	
(c) Premises a/c	
(d) Salary expenses a/c	

24. State four characteristics of direct production (4mks)  
25. Outline four measures that Kenya government may put in place to reduce inflation in Kenya (4mks)

**MURANG'A SOUTH C****565/ 2****BUSINESS STUDIES.****PAPER 2**

- 1 a) Jirani clinic has been having difficulties in tracing files for their clients. Explain five features of a good filing system (10marks)
- b) Explain five monetary policies that Kenyan government uses to control the supply of money in the economy. (10 marks)
- 2 a) differentiate between a public limited company and a partnership (10 marks)
- b) With the aid of a diagram explain the effects of an increase in supply on equilibrium price and quantity of a commodity. (10 marks)
- 3 a) Explain five principles of insurance (10 marks)
- b) The following relate to Makuyu traders as at 31<sup>st</sup> Dec. 2014.

Purchase	900,000
Stock 1:1:2014	230,000
Buildings	1,200,000
Motor vehicles	750,000
Returns inwards	500,000
Debtors	190,000
Creditors	310,000
Loan from IDB	600,000
Cash	130,000
Bank	270,000
Drawings	100,000
Capital	1,840,000
Net profit	170,000

**Additional information**

- i) Stock 31/12/2014 280,000
- ii) Expenses (Including carriage inwards shs. 150,000) 250,000

**Required**

- a) Balance sheet as at 31<sup>st</sup> Dec 2014 (6 marks)
- b) Calculate
- i) Mark up percentage (2 marks)
- ii) Return on capital employed (2 marks)
- 4 a) Labour is one of the basic factors of production. Outline five measures that a business can take to increase the productivity of its labour force. (10 marks)
- b) Explain five factors that influences the choice of a channel for distributing flowers (10marks)
- 5 a) Employment has been used as a campaign agenda in developing counties. Explain five causes of unemployment in these counties. (10 marks)
- b) Discuss five causes of unfavorable balance of payment for most developing countries. (10marks)
- 6 a) Explain five ways in which an efficient road transport system may promote trade in a county.
- b) The following balance sheet was extracted from the books of Sagana Traders on 1<sup>st</sup> April 2015

**SAGANA TRADERS  
BALANCE SHEET  
AS AT 1<sup>ST</sup> APRIL 2015**

	Sh		Sh
Equipment	200,000	Capital	415,000
Furniture	82,000	Mutai (Creditor)	27,000
Stock	140,000		
Cash	20,000		
<b>Total</b>	<b><u>440,000</u></b>		<b><u>442,000</u></b>

The following transactions took place during the month of April 2015.

- 4<sup>th</sup> April: Sagana traders sold her personal assets for shs 30,000 receiving payments bycheque which she invested in the business.
- 10<sup>th</sup> April: she purchased goods for shs. 29,000 on credit from Mutai
- 19<sup>th</sup> April: She returned goods worth shs 3,000 to Mutahi after they were found defective.

**Required**

- a) Open the ledger accounts, record above transactions and balance them off.
- b) Extract a trial balance as at 30<sup>th</sup> April 2015.

**COMPLIANT PREPARATORY EXAMINATION****565/1****2017****BUSINESS STUDIES****PAPER 1**

1. State four reasons why consumers have to make choices between competing wants. (4 marks)
2. Outline four ways in which the utility of product can be increased. (4marks)
3. Highlight four limitations of a farmer engaging in subsistence production. (4 marks)
4. Most firms are adopting open office layout. State four merits of this move. (4 marks)
5. In small scale retailing, itinerant trading has become popular, state four reasons for this. (4 marks)
6. Give four reasons why the government should insist on formation of limited companies to benefit from Uwezo funds. (4 marks)
7. State four roles of Kenya Bureau of standards. (4 marks)
8. Mention four advantages of pipeline transport. (4 marks)
9. Outline four circumstances under which a business would use internet. (4 marks)
10. List down four merits of bonded warehouse to the government. (4 marks)
11. Identify the insurance terms described below. (4 marks)
  - a) A risk which result in loss or gain.
  - b) Transfer of an insurance policy by an insured to another person.
  - c) Covering one similar risk with the different insurance companies.
  - d) Regular payments made by insured to the insurer.
12. Identify four qualities of a good sales person. (4 marks)
13. The following information relates to Mwindi Traders for the period ended 31st March 2005.
 

Sales	1,000,000
Opening stock	100,000
Closing stock	25% on cost of goods sold
Gross profit margin	20%

 Prepare a trading account of Mwindi Traders for the period ended 31st March 2005. (4 marks)
14. Below is a supply schedule for bread in Ruai over one week.
 

Price per loaf (sh.)	Quantity (no. of loaves supplied)
30	1000
20	700
15	500
10	200
5	100

 Draw a supply curve from the above schedule. (4 marks)
15. Determine the missing figures in the following two column cash book. (4 marks)

Dr		Receipts		Payments		Cr	
Date	Details	Cash	Bank	Date	Details	Cash	Bank
2005				2005			
Jan. 1	Balance	20,000		Jan. 1	Balance		70,000
Jan 12	Sales		200,000	Jan. 20	Cash		50,000
Jan 20	Bank	A		Jan 25	Wages	12,000	
Jan. 28	Koras		80,000	Jan 31	Bal. c/d	B	D
		C	280,000			C	280,000

16. The following ledger accounts were prepared by the accountants of Soila Enterprises.

Dr	Cash Account	Cr
2004	shs.	2004
May 2	Sales 20,000	May 28
		Pasua 35,000

Dr	Sales account	Cr.
2004		2004
		May 2
		Cash 20,000

Dr	Furniture Account	Cr.
2004	Shs.	
May 20	Pasua 70,000	

Dr		Pasua Account		Cr.	
2004	shs.			2004	
May 25	Furniture	5,000		May 20	Furniture 70,000
May 28	Cash	35,000			

Outline the transactions that took place on.

(4 marks)

- a) 2<sup>nd</sup> May 2004
- b) 20<sup>th</sup> May 2004.
- c) 25<sup>th</sup> May 2004.
- d) 28<sup>th</sup> May 2004.

17. State the effect of each of the following transactions on the balance sheet totals by writing increase or decrease or no effect in each case.

(4 marks)

<u>Transaction</u>	<u>Effect</u>
a) Withdrew cash from the business for son's school fees.....	.....
b) Paid creditors by cheque.....	.....
c) Bought stock in cash.....	.....
d) Bought furniture by cheque.....	.....

18. The following balances were extracted from the books of James Traders for the month ended 30th June 2012. Item Shs.

Sales	420,000
Purchases	240,000
Motor van	300,000
Equipment	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare trial balance of James Traders for the month ended 30th June 2012.

(4 marks)

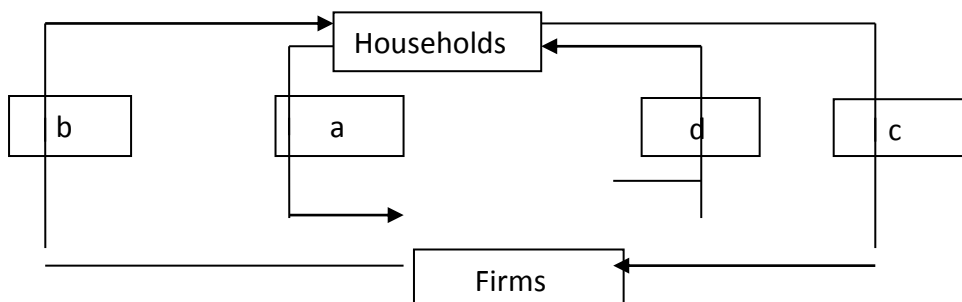
19. Outline four characteristic features of a monopolistic competition market.

(4 marks)

20. Identify four measures that the Kiambu Governor would take in order to attract investors to locate industries in Kiambu county.

(4 marks)

21. The figure below is an illustration of a circular flow of income in a two-sector economy.

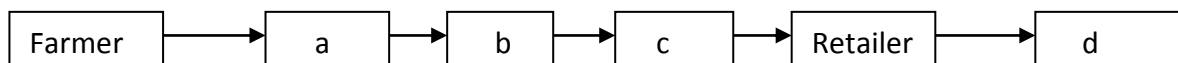


Identify the missing information labeled (a) to (d).

(4 marks)

22. Complete the channel of distribution below for a small scale tea farmer in Kenya.

(4 marks)



23. Explain the following unemployment situations:

(4 marks)

- a) Seasonal
- b) Disguised / hidden

24. Highlight four advantages of maintaining a current account to a business person.

(4 marks)

25. Give four reasons why the government imposes taxes.

(4 marks)



**COMPLIANT PREPARATORY EXAMINATION**

565/2

**BUSINESS STUDIES**

2017

**PAPER 2**

1. a) Discuss **FIVE** factors which influence geographical mobility of labour. (10mks)  
b) Explain **FIVE** characteristics of good money. (10mks)
2. a) Describe **FIVE** factors that encourage entrepreneurship in Kenya. (10mks)  
b) Highlight **FIVE** adverse effects of localization of firms in an economy. (10mks)
3. a) Discuss **FIVE** factors that a government should consider when deciding on a good tax system. (10mks)  
b) Explain **FIVE** factors which may hinder economic development. (10mks)
4. a) Discuss **FIVE** advantages of trade restrictions to a country. (10mks)  
b) Describe **FIVE** merits of public corporations. (10mks)
5. a) Explain **FIVE** challenges that may be experienced by a country whose population is made up of a large proportion of young people. (10mks)  
b) On 1<sup>st</sup> December 2015, Kamau had sh. 55,000 in hand and sh. 250,000 at bank. During the month, the following transactions took place.

**December** 2 cash sales banked sh. 35,260

3 Bought stationery in cash sh. 4,500

8 Paid Odongo a creditor sh. 94,000 by cheque in full settlement of his account after deduction 6% cash discount

12 received a cheque for sh 58,800 from Wafula after allowing him a cash discount of sh. 1,200

15 paid salaries sh. 34,000 in cash

25 Withdrew sh. 50,000 from bank for office use.

28 Anyango, a debtor paid her account of sh. 75,000 by cheque less 10% cash discount

30 Deposited all the cash into the bank except sh. 13,700

Prepare a three column cash book and balance if off. (10mks)

6. a) Explain **FIVE** uses of National Income statistics. (10mks)  
b) The following trial balance was extracted from the books of Mawego Traders 31<sup>st</sup> December 2010.

**MOGAKA TRADERS**  
**TRIAL Balance as at 31<sup>st</sup> December,2015**

	Dr (shs)	Cr (shs)
Gross profit		380,000
Closing stock	274,000	
Capital		259,000
Drawings	83,000	
Creditors		93,000
Premises	103,000	
Debtors	123,000	
Cash at bank	33,000	
Bank loan ( 2 years)		50,000
General expenses	54,000	
Commission received		20,000
Wages and salaries	132,000	
	<u>802,000</u>	<u>802,000</u>

**Prepare:**

- i) Profit and loss account for the year ended 31<sup>st</sup> December 2015. (4mks)
- ii) Balance sheet as at 31<sup>st</sup> December 2015. (6mks)

**COMPLIANT PREPARATORY EXAMINATION****565/1****BUSINESS STUDIES****2017****PAPER 1**

- 
- 1. Reasons why consumers have to make choices between competing wants.**
- Some wants (basic wants) are essential for survival, thus they cannot be postponed.
  - The means of satisfying wants are limited due to scarcity of resource.
  - Wants vary in urgency and intensity.
  - Wants are unlimited in number.
- 2. ways in which the utility of product can be increased**
- By changing its form or nature
  - By changing its location or transporting it to a different places
  - By making it available when needed or by storing it until when needed by consumers.
  - By changing its ownership or possession.
- 3. Four limitations of subsistence production (4mks)**
- Low quality goods
  - Low quantities of goods
  - No surplus goods for market
  - Encourages individualism
  - Leads to low living standards of people
  - A lot of time wasted
  - Can be tiring
- Any four correct points*
- 4. Advantages of open-plan office**
- Easy location of workers
  - Low construction/maintenance costs
  - Easy location of worker
  - Minimal staff movement hence saving time
  - Proper use of office equipment and machinery
  - Promotes team work) Floor space is saved
  - Discourages absenteeism and laxity
- Any four correct points*
- 5. Reasons for popularity of itinerant traders (4mks)**
- Are flexible
  - Require little capital to start and operate
  - Require few legal formalities to start
  - Do not suffer from bad debts
  - Convenient as goods are taken to the customers
- Any four correct points*
- 6. Benefits of limited companies (4mks)**
- Enjoy perpetual /continuity existence
  - Members have limited liabilities in business debts
  - Enjoy wider sources of capital
  - Easier to expand and diversify activities
  - Can enjoy economies of scale eg employing qualified manpower.
  - Actions of one shareholder do not bind others.
- Any four correct points*
- 7. Roles of Kenya Bureau of Standard (KEBS) (4mks)**
- Setting standards for goods/services to be met
  - Checking whether the set standards are being adhered to by businesses.
  - Ensuring commodities are examined and tested before being sold
  - Carries out calibration of equipment used by producers to measure time, weight and volume of goods.
  - To ensure all goods especially food and drugs are well -labelled and packaged
  - Takes legal action against those who operate outside the set standards.
- Any four correct answers*
- 8. Advantages of pipeline transport (4mks)**
- Requires minimal manpower hence labour saving.
  - Is environmental friendly/does not pollute the environment
  - Can be constructed even in areas where it is difficult for roads or railway lines.
-

Allows continuous 24/7 flow of goods  
 Less road damages  
 Less accidents  
 Reduces delays  
 Low maintenance costs as it relies on force of gravity.

*four correct points*

**9. Circumstances under which internet may be appropriately used (4mks)**

When connecting to customers /buyers all over the world  
 When seeking for information /ideas on better production methods all over the world.  
 When requiring to pass information faster/quickly/immediately  
 Where teleconferencing is required  
 Where evidence of communication is needed

**10. Merits of bonded warehouse to the government (4mks)**

Source of government revenue  
 Enables the government to control the entry of harmful goods  
 The government is able to verify documents for goods in transit  
 Enables the government to control the quality of goods entering into the country.  
 Enables the government to control the quantity of goods entering the country.  
 The government is able to inspect the type of nature of goods imported  
 The government is able to check on illegal goods entering the country.

*Any four correct answers*

**11. Identifying the insurance term described**

**(4 mks)**

- a) Speculative risk
- b) Assignment
- c) Double insurance
- d) Premiums

**12. Qualities of a good sales person (4mks)**

Should be well groomed, neat and hygienic  
 Should be courteous, respectful and honest  
 Should have knowledge about the product, the price, quality, usage  
 Have the ability to assess the culture, emotional and economic status of the customer  
 Should be persuasive /tactful/convincing  
 Ability to communicate effectively  
 Ability to listen- questions, complaints, and answer effectively *Any four correct answers*

**13. Trading account (5mks)**

Gross profit = Margin x sales  
 $\frac{20}{100} \times 1,000,000 = 200,000$

Closing stock =  $\frac{25}{100} \times \text{cost of sales}$   
 $= \frac{25}{100} \times 800,000 = 200,000$

Cost of sales = Sales - Gross profit  
 $= 1,000,000 - 200,000$   
 $= 800,000$

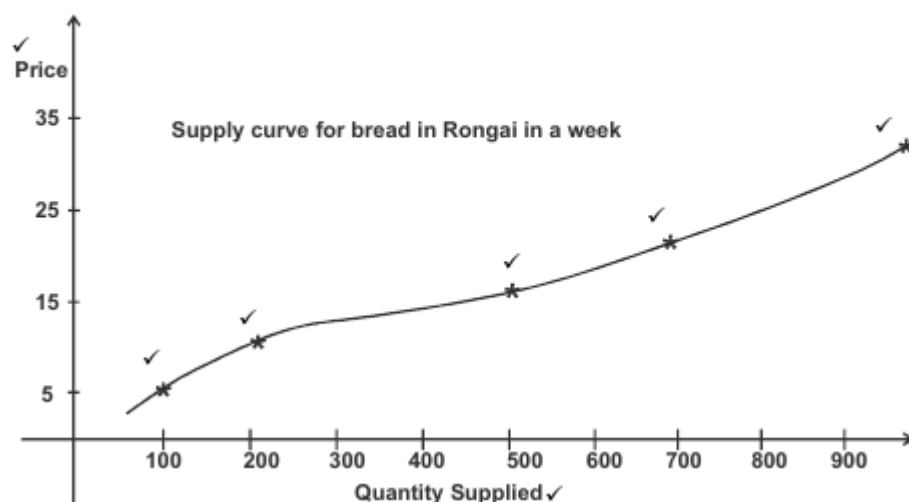
Purchases = Cost of sales 800,000  
 + Closing stock 200,000  
 - opening stock 100,000  
 900,000

**MWINDI TRADERS**  
**TRADING ACCOUNT**

FOR THE PERIOD ENDED 31.3.2003

Dr	Cr
Opening stock ✓100,000	Sales 1,000,000
Add: Purchases ✓✓900,000	
Cost of goods available for sales ✓1,000,000	
Less: Closing stock ✓✓200,000	
Cost of sales ✓✓800,000	
Gross profit c/d ✓✓200,000	
✓ <u>1,000,000</u>	✓ <u>1,000,000</u>

14.

**4. Drawing a supply curve from a given supply schedule (4mks)****15. Filling in missing figures (4mks)**

- A - sh 50,000 (contra entry)
- B - sh 58,000
- C - sh 70,000
- D - sh 160,000

**16. Outlining transactions from ledger accounts (4mks)**

- a) On 2nd May, 2014: Made cash sales sh 20,000
- b) On 20th May, 2014: Bought furniture worth sh 70,000 from Pasua on credit
- c) On 25th May 2014: Returned some furniture worth sh 5,000 to Pasua
- d) On 28th May, 2014: Paid Pasua cash sh 35,000

**17. Stating the effect of the transactions on the Balance sheet totals (4mks)**

- a) Decrease

- b) Decrease  
c) No effect  
d) No effect

18.

particulars	Dr(sh)	Cr(sh)
Sales		420,000✓
Purchase	240,000✓	
Motorvan	300,000✓	
Equipment	120,000✓	
Debtors	80,000✓	
Creditors		40,000✓
Expenses	160,000✓	
Capital		440,000✓
	<u>900,000</u>	<u>900,000</u>

19. Characteristic features of monopolistic competition market (4 mks)

- Many buyers  
Many sellers  
Products are not identical/differentiate  
Are close substitutes  
Free entry and exit  
Perfect knowledge about the market by both the buyers and sellers

*Any four correct points*

20. Measure that KIAMBU Governor can take to attract investors in KIAMBU county. (4mks)

- Developing infrastructure/Building roads/Power supply/water supply  
Provision of security  
Provision of free/cheap land  
Providing cheap loan facilities  
Offering training facilities to create a pool of skilled labour  
Provision of social amenities eg schools, stadium, street lights, etc  
Offer tax incentives/exemptions  
Provide favourable licensing procedures

*Any four correct points*

21. Identifying missing information (4mks)

- Factors of production; land, labour, capital and entrepreneurship  
Payment /rewards  
Expenditure on goods/services  
Goods and services

22. Completing the channel given (4mks)

- Co-operative society  
Marketing Board  
Wholesaler  
Consumer

23. Meaning of

- Seasonal unemployment is when the demand for labour declines during the offpeak periods e.g agricultural sector, tourism sector, etc.  
Disguised/hidden unemployment occurs when the number of people employed exceed the work load for when people are engaged in employment below their qualifications eg a university graduate teacher employed as a cleaner in a school.

24. Advantages of current account (4mks)

- No minimum balance amount to be maintained  
Preferential treatment hence saving time  
Enjoy overdraft facilities  
Convenient payments as a result of using cheques

---

Can withdraw any amount any time without giving notice  
Regular monitoring of accounts through issuance of bank statements.

*Any four correct point*

**25. Reasons for taxation (4mks)**

To raise revenue  
To discourage consumption of certain commodities  
To discourage importation of certain products  
To reduce inequalities in income distribution  
To control inflation  
Influencing location of businesses  
Correcting balance of payment disequilibrium

*Any four correct points*

**NYERI CENTRAL**  
**565/1**  
**BUSINESS STUDIES**  
**2017**  
**PAPER 1**

1. State **four** benefits of specialization to a society. 4mks
2. Outline **four** contents of an insurance policy. 4mks
3. Highlight four reasons why politicians use bill boards as an advertising media. 4mks
4. State **four** factors that may limit a consumer's satisfaction. 4mks
5. Outline **four** roles of an entrepreneur in production. 4mks
6. Highlight the circumstances under which a firm would decide to use electronic filing system. 4mks
7. Briefly explain the following terms:
  - i) Equilibrium
  - ii) Joint supply
  - iii) Composite supply
  - iv) Derived demand
8. There has been a general rise in prices of food stuff in Kenya. Give **four** effects of this trend. 4mks
9. Outline **four** demerits of an indirect tax. 4mks
10. State **four** monetary tools used by the central bank to control money in circulation in Kenya. 4mks
11. State **four** sources of capital to a Public Corporation. 4mks
12. State the unit of carriage for each of the following modes of transport. 4mks

Mode of transport	
Portage	
Sea	
Road	
Cartage	

13. State **four** factors to be considered in the choice of distribution channels. 4mks
14. Outline four sources of power for a monopolistic in an economy 4mks
15. Highlight **Five** ways in which a business idea can be implemented 5mks
16. The following balances were extracted from the books of Jikaze Traders as at 30<sup>th</sup> June 2016.

	Shs.
Cash	12,500
Cash at hand	7,500
Wages due	3,500
Creditor	11,500
Debtors	30,000
Loan from bank	60,000
Motor vehicles	100,000
Equipment and machinery	50,000
Stock	25,000

- Prepare a balance sheet for Jikaze Traders as at 30<sup>th</sup> June 2016. 5mks
17. For each of the following transactions indicate the book of original entry in which it is recorded 4mks

Bought an office machine on credit	
Returned goods to the supplier	
Withdrew cash for personal use	
Sold goods on credit to Omondi	

18. The following information was extracted from the books of Mungai fashion house for the year ended 2013 Dec 31st.

4mks

Purchase	shs. 760,000
Closing stock	shs. 120,000
Stock	shs. 40,000
Mark up	25%
Sales	shs.800,000
Rent income	shs.20,000
Net profit was 5% total sales	

Required: prepare a trading profit and loss account for the business.

19. The table below shows various documents used international trade. Bill of landing, letter of credit, indent proforma invoice, match the above documents with the relevant statement given in the table below.

Statement	Document
1.Used to order for imports	
2.Used by importer to obtain permission from central bank of goods will be made	
3. Assures the exporter that payment of goods will be made	
4.Proves ownership of good upon arrival at the port	

20. Outline the circumstance under which you would use the following postal services.

4mks

21. (a) Classify the following government expenditure as either recurrent, capital or transfer expenditure.

3mks

Expenditure	
Bursary to needy students	
Salaries to civil servants	
Construction of S.G.R.	

- (b) Distinguish between the impact and incidence of tax.

1mks

22. Outline four problems encountered in development planning.

4mks

23. State **four** ways used by the government to promote trade in Kenya.

4mks

24. The average consumer price for a 500g container of fat for various years shown in the table below.

3mks

Year	Consumer Kshs	Consumer price index
2000	47	100
2001	53	
2002	62	
2003	74	

25. In the spaces provided indicate with an x whether each of the followed transaction will increase, decrease or have no effect in the balance sheets totals.

4mks

Transaction			
Buying stock in cash			
Depositing extra cash into business account			
Drawing cash for personal use			
Buying stock on credit			



**NYERI CENTRAL****565/2****BUSINESS STUDIES****2017****PAPER 2**

1. (a) Explain **five** ways in which filing of documents facilitates smooth running of an office. 10mks  
 (b) Highlight **five** disadvantages of cartels to consumers. 10mks
2. (a) On 1<sup>st</sup> June 2010, Ngamire Traders had cash in hand shs.87,000 and cash at Bank sh.250,000. During the month, the following took place:  
 June:2: Cash sales sh. 50,000 issued a receipt No.063.  
 June:3: Paid salaries and wages shs.101,500 by cheque, no.083.  
 June:6: Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount of 4% receipt no.064.  
 June:12: Settled Omwambi's account of shs.40,000 in cash having deducted sh. 800 cash discount Receipt No.0656.  
 June:18: Withdrew shs.30,000 from bank for office use.  
 June:21: Received shs.16,500 cash from Mwikali in settlement of his account less sh.600 cash discount. Receipt no.065.  
 June:22: Bought office furniture by cheques sh.85,000 Receipt No. 734.  
 June:23: Withdrew sh.5000 cash for private use.  
 June:28: Paid wages sh.24,000 in cash receipt No.801.  
 June:30: Received a cheque for shs.150,000 in respect to cash sales. Receipt no.066.

**Required:**

- (i) A cash receipt journal. 5mks  
 (ii) A cash payment journal. 5mks

(b) The table below represents the supply of maize flour for 3 months.

Year 2016	Price per kg	Quantity supplied in (kgs)
January	120	150,000
February	120	80,000
March	120	50,000

Explain five reasons to account for the change in quantity supplied. 10mks

3. (a) Explain five circumstances under which oligopoly market structure may arise. 10mks  
 (b) Advise the cabinet secretary for trade and industry why Kenya should be a member of the East African Community E.A.C. 10mks
4. (a) Explain five uses of National income statistics. 10mks  
 (b) Explain five circumstances under which a credit note can be issued. 10mks
5. (a) Discuss five insurance policies a person take to cover employee related risks. 10mks  
 (b) Explain five ways through which the central bank control inflation. 10mks
6. (a) Explain five ways that the government as an external environment factor can influence Business Activities. 10mks

(b) The following information relates to Ingo Traders as at 31 December 2006.

Sh.	
Purchases	400,000
Stock 1-1-2016	150,000
Stock 31-12-2006	50,000
Mark up	25%
Expenses	40% of Gross profit

**Calculate:**

- i) Turn over 4mks  
 ii) Net Profit 3mks  
 iii) Rate of stock turnover 3mks

**KANGEMA MATHIOYA****565/2****BUSINESS STUDIES****Paper 2****July/August 2017****Time 2½ hours**Answer any FIVE questions.

1. a) Explain **five** emerging issues in office management. (10 marks)
- b) Explain **five** reasons why countries prepare development plans. (10 marks)
2. a) Discuss **five** circumstances under which an insurance contract may be terminated. (10 marks)
- b) Highlight five problems likely to be faced by consumers when a firm operates as a monopoly. (10 marks)
3. a) Mathioya Enterprises started business with sh 800,000 in cash on 1st June 2011.

June 2011	:2	Deposited sh 450,000 cash into the bank
	:8	Purchased goods for resale sh 40,000 in cash
	:11	Took sh 20,000 in cash for personal use.
	:19	Paid salaries shs 120,000 by cheque.
	:25	Cash sale 85,000
	:30	Paid salaries shs 80,000 by cheque.

Required:

- i) Enter the above transactions in Mathioya Enterprises ledger accounts.
- ii) Balance the ledge accounts and extract a trial balance as at 30th June 2011. (12 marks)
- b) Explain four measures put in place by the Transport Licensing Board (TLB) to curb road Carnage in Kenya. (8 marks)
4. a) Kenya, a member of East African community, has been experiencing deteriorating terms of trade. Explain five factors that could have contributed to this trend. (10 marks)
- b) Most governments continue operating public corporations in their countries despite their dismal performance. Explain **five** reasons why this is so. (10 marks)
5. a) Discuss **five** measures the government can undertake to promote entrepreneurship practices in Kenya. (10 marks)
- b) Explain with the aid of a well labelled diagram the effects of setting price above the equilibrium price. (10 marks)
6. a) Explain **five** principles of public expenditure. (10 marks)

b) The following balances were extracted from the books of accounts of Kangema Enterprises as at 31st December 2010.

	Shs
Stock (31st December 2010)	294,600
Carriage outwards	20,000
Carriage inwards	31,000
Return outwards	32,200
Purchases	1,187,000
Sales	1,851,000
Discounts received	19,000
Salaries and wages	362,800
Discounts allowed	30,400
Insurance	36,800
Stock (1st January 2010)	236,000

Required

Prepare the trading, profit and loss account for the year ended 31st December 2010. (10 marks)

**KASSU**  
**JUNE EXAMINATIONS**  
**2017**  
**BUSINESS STUDIES**  
**PAPER 1**

1. Outline four aspects of demographic environment that influences the operations of business. (4 marks)
2. Highlight four unethical practices that business may get involved in. (4 marks)
3. Highlight four merits that will accrue to a business by adopting the internet as a means of communication (4marks)
4. State four conditions necessary for successful development planning to take place in a country. (4 marks)
5. Outline four channels of distribution for exported Agricultural products. (4 marks)
6. Highlight four ways in which an efficient transport system can enhance trade. (4 marks)
7. State whether the following business transactions increases, decreases or has no effect on the assets, liabilities or capital. (4 marks)

Transaction	Assets	Liabilities	Capital
a) Bought furniture on credit			
b) Paid creditors by cash			
c) Investment by the owner			
d) Purchase stock by cheque			

8. Highlight four features of oligopoly market structures. (4marks)
  9. The following transactions relate to Mutinda traders for the month of January 2008.  
 January 8 purchased goods on credit from Furaha traders worth sh.12000  
 12 Sold goods to Jane traders worth sh.20000  
 Record the transactions in the ledger accounts given below. (4 marks)
  10. The statements below contains descriptions relating to some type of warehouse. In the space provided, state the type of warehouse to which each description refer to. (4 marks)
- | Description  | Type |
|--|------|
| a) Used to store exports and imports.....                          |      |
| b). Anybody can rent spaces in it for storing goods temporary..... |      |
| c) Operated for owners exclusive use .....                         |      |
| d) Owned and operated by farmers and manufacturers.....            |      |
11. Highlight four functions of Non-banking financial institutions. (4 marks)
  12. State four reasons why consumers must make a choice when satisfying competing wants. (4 marks)
  13. Outline four assumptions used to explain the circular flow of income in a two sector economy. (4 marks)
  14. State four characteristics of subsistence production in Kenya. (4marks)
  15. The following table shows the price of 2kg of maize flour 1 loaf of bread, and 1 packet of milk in 2013 and 2014 with their weights. (4 marks)

Items	Prices		Weights
	2013	2014	
Flour	80	85	2
Bread	50	60	1
Milk	40	60	3

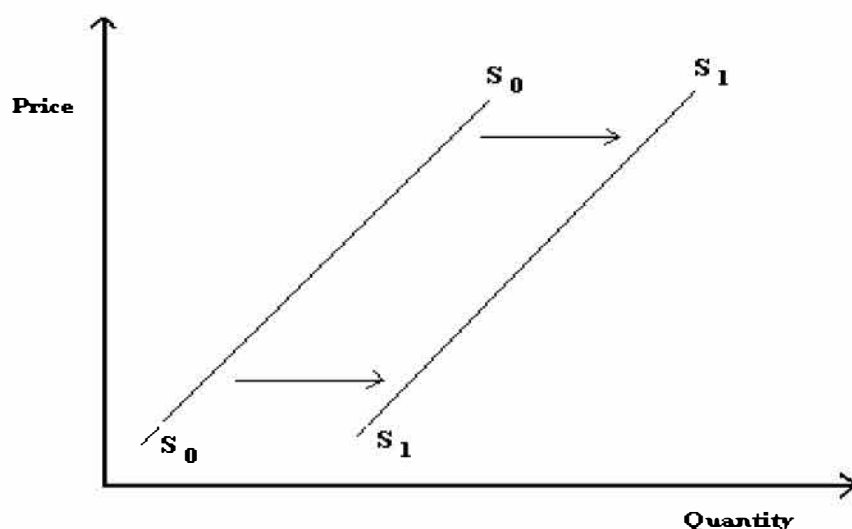
*Required:*

Calculate Consumer Price Index (C.P.I) for the year 2014 for the basket of goods composed of the three items using the Weighted Average Method and determine rate of inflation

16. State four disciplines in Business studies. (4marks)
17. Name the document that matches the following descriptions. (4 marks)

	Description	Document
(a)	Prepared by an exporter giving details about the country where goods are imported from	
(b)	Shows prices charged as certified by the importing country's officials	
(c)	An order sent by an importer to an agent in the exporting country	
(d)	Enables the importer to initiate clearing of customs duty early enough to avoid delays.	

18. Highlight four features of a mail order stores in home trade. (4 marks)
19. The diagram below shows a shift in the supply curve of a given commodity. (4 marks)



- State four reasons for the shift in the supply curve. (4 marks)
20. Identify the types of unemployment described below. (4 marks)
- .....is a type of unemployment that occurs when demand for labor declines due to either change in the method of production or decrease in supply of goods and services.
  - .....is a type of unemployment which occurs when workers full capabilities are not fully utilized.
  - .....is a type of unemployment which occurs to those employed on contract basis
  - .....occurs when a country goes through economic activities alternating from boom to recession
21. Highlight four circumstances under which an insurance contract may be terminated. (4 marks)
22. State four negative effects of an ageing population. (4 marks)
23. State four importance of balance sheet. (4marks)
24. Outline four reasons as to why a cheque is returned to the payee while indicated “refer back to the drawer.” (4 marks)
25. The following balances were extracted from Mwangaza traders’ books of accounts.

Shs.

Opening stock	25,000
Closing stock	35,000
Purchases	190,000
Mark - up	20%

Calculate:

- Cost of sales (1mark)
- Gross profit (1 mark)
- Sales (1 mark)
- Rate of stock turnover(ROSTO) (1 mark)

**KASSU**  
**JUNE EXAMINATIONS**  
**2017**  
**BUSINESS STUDIES**  
**PAPER 2**

1. a) Explain **five** benefits enjoyed by a business that operates with a business plan (10 Marks)
- b) Describe **five** types of advertising techniques used in product promotion. (10 Marks)
2. a) Explain **five** advantages of trade liberalization. (10 Marks)
- b) Explain **five** internal diseconomies of scale to a firm as a result of expansion. (10 Marks)
3. a) Explain **five** Benefits of an enclosed office plan. (10 Marks)
- b) On 1<sup>st</sup> July, 2016 Ekalale Traders had cash in hand sh. 85,200 and cash at bank sh.40,000 (Cr). During the month, the following transactions took place:

**July**

- |     |   |
|-----|---|
| 2   | cash sales sh. 42,630 was paid directly into the bank                           |
| 5   | Received a cheque of sh. 14,100 from Ruth in full settlement of her account.    |
| 9   | Bought goods worth sh. 26,240 cash.   |
| 12. | Cash sales sh. 42,950 payment received by cheque                                |
| 15  | Paid Ndoigo's account of sh. 25,000 in cash less 5% cash discount.              |
| 17. | Paid wages sh. 24,000 in cash   |
| 18  | Withdrew sh. 16,000 from bank for office use.                                   |
| 20  | Bought stationery sh.850 cash   |
| 22  | Cheque received from Ruth was dishonoured.                                      |
| 28  | Received a cheque of sh. 9,500 from Kemamo after he deducted a 5% cash discount |
| 31  | All cash was banked except sh.10,000.   |

**Required:**

- Prepare a three column cash book duly balanced. (10 Marks)
4. a) With the aid of a suitable diagram, explain the effects of a decrease in supply on the equilibrium price and quantity of a product (10 Marks)
  - b) Describe **five** government initiated methods that help in the protection of consumers from exploitation by dishonest traders (10 Marks)
  5. a) Outline **five** differences between a partnership form of business organisation and a public limited company. (10 Marks)
  - b) Explain **five** causes of cost-push inflation (10 Marks)
  6. a) Explain **five** demerits of direct taxation (10 Marks)
  - b) Masaku Investments operates a wholesale business. The following transactions took place in the month of May 2016

- |     |    |   |
|-----|----|---|
| May | 3  | Sold goods on credit to Kyalo sh. 60,000                          |
| "   | 8  | Purchased goods on Credit from Musau Stores sh. 120,000           |
| "   | 12 | Returned goods to Musau Stores worth sh. 6,000                    |
| "   | 16 | Purchased goods on Credit from Musau Stores 160,000               |
| "   | 22 | Sold goods on Credit to Musyoki Retailers sh. 150,000             |
| "   | 23 | Bought a new Motor Van from Mashariki Motors worth shs. 3,200,000 |
| "   | 24 | Kyalo returned goods worth sh. 10,000.                            |
| "   | 29 | Sold equipment worth sh. 840,000 on credit to Chap Chap Limited.  |

**Required:**

- Record the above transaction in the relevant books of original entry for Masaku Investments. (10 Marks)

**SUKEMO MOCK PAPER 1**  
**565/1**  
**BUSINESS STUDIES**  
**PAPER 1 JULY 2017**  
**SUKEMO MOCK PAPER 1**  
**2 HOURS**

1. Outline 4 benefits of learning business studies in schools. (4marks)
2. State 4 benefits that may accrue to a business from political stability in a country. (4marks)
3. Outline 4 factors considered when deciding on a suitable location of an office. (4marks)
4. Highlight 4 benefits Kenya is likely to get from exploitation of oil recently discovered in Turkana area. (4marks)
5. Give 4 differences between a bill of exchange and a promissory note (4marks)
6. Highlight 4 measures a consumer may take to satisfy unlimited wants. (4mks)
7. Currently the government is selling state owned businesses to private investors. Highlight 4 benefits of such decisions. (4marks)
8. Highlight 4 ways in which goods are prepared for sale in a warehouse. (4marks)
9. State 4 benefits that Kenya will reap after the completion of the Lamu Port and Lamu South Sudan – Ethiopia Transport Corridor (LAPSSET) Project whose construction is underway. (4mks)
10. Highlight 4 reasons for the popularity of promotion convoys. (4mks)
11. State the type of error committed in each of the following entries. (4mks)

Entry	Type of error
i) Credit purchases of sh 2,600 from Toto Traders was recorded as sh 6,200 in both the purchases and Toto Traders account	
ii) Sale of furniture on credit to Wanjiru for sh 6,000 was debited to Wanjiku's account	
iii) Sales book was undercast by sh 210 while purchases book was also undercast by sh 210	
iv) Repairs on machinery for sh 3,400 was debited in machinery account as sh 3,400	

12. Highlight 4 reasons why a country would like to know the structure of its population (4marks)
13. State 4 reasons that make it difficult to attain perfectly competitive conditions in the market. (4marks)
14. State whether each of the following transactions will increase, decrease or have no effect on the balance sheet totals (4marks)

**Transaction** **Effect on balance sheet totals**

- a. Deposited private savings into business account.....
- b. Paid a creditor in cash.....
- c. Withdrew money from bank for business use.....
- d. Purchased a motor van by cheque.....

15. Outline 4 factors that determine the supply of money in an economy.(4mks)
16. The information below was extracted from the books of Lemayian Traders for the year ended 31.12.2015.

	Shs.
Opening stock	45,000
Closing stock	15,000
Turnover	340,000
Margin	25%

Required:

- i) Gross Profit (2marks)
- ii) Purchases. (2marks)

17. Outline 4 reasons why the government imposes taxes on Kenyan citizens. (4marks)
18. For each of the following source documents, name the relevant day book. (4marks)

Source document	Day book
Invoice issued	
Credit note received	
Cheque received	
Invoice received	

19. State 4 limitations of the consumer price index as a method of measuring the rate of inflation. (4marks)
20. State 4 types of information that a manager may communicate to the juniors. (4marks)
21. Give 4 disadvantages of a long chain of distribution of goods to a buyer. (4marks)
22. The following information relates to Bahati Nzuri traders for the year ended 31/12/2010.

Details	kshs
Capital 31/12/2010	450,000
Additional investment	70,000
Cash drawings	30,000

Drawings of stock	15,000
Net loss	100,000

Required:

Calculate the capital of Bahati Nzuri traders as at 1/1/2010 (4marks)

23. Outline 4 circumstances in which the government may be involved in business. (4mks)

24. Outline 4 structural changes that may take place when a country is experiencing economic development. (4mks)

25. The cash book below was incorrectly prepared.

Date	Particulars	Cash	Bank	Date	Particulars	Cash	Bank
2017				2017			
June	Bal b/d	800	1880	June 2	Sales	2640	
June 3	Purchases		2520	June	Wages		620
June 4	Electricity	500		June 9	Kiprono(creditor)	250	
June 7	Maitho(debtor)		400	June 12	Rent received		1830
June 12	Bal c/d	1590		June 12	Bal c/d		2350
		2890	4800			2890	4800
June 13	Bal b/d		2350	June 13	Bal b/d	1590	

Identify transactions that were wrongly entered in the cash book. (4mks)

## SUKEMO MOCK 2017

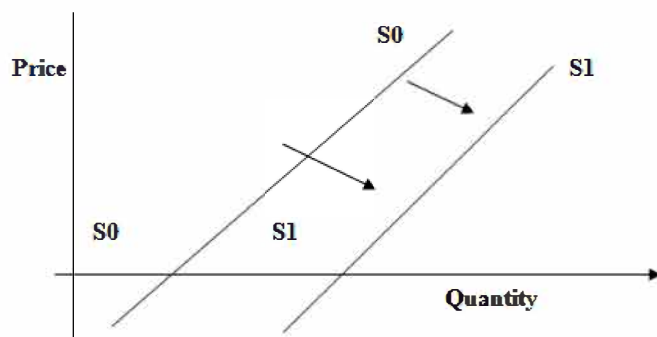
565/2

## BUSINESS STUDIES

## PAPER 2

TIME: 2½ HOURS

1. a) According to National Income Statistics, country A seems to have a higher standard of living than country . Outline 5 limitations of using the statistics to compare these two countries (10marks)
- b) The diagram below shows changes in the supply curve of a product.



Explain 5 factors that may lead to the change from S0S0 to S1S1. (10marks)

2. (a) Discuss **FIVE** strategies that a small firm can employ in order to expand her capacity. (10 marks)
- (b) Discuss **FIVE** ethical issues that an entrepreneur needs to consider in carrying out his/her activities. (10 marks)
- 3 (a) Discuss **five** circumstances under which a company may prefer to use informative advertising. (10 marks)
- (b) Explain **FIVE** ways through which a country can finance a deficit in the Balance of payments. (10 marks)
- 4 (a) Explain **five** reasons that may lead an insurer to compensate the insured in the event of a loss. (10 marks)
- (b) Explain **FIVE** documents that a trader can use in transacting business after the buyer has ordered for the goods. (10 marks)

- 5 a) The following information relates to Bahati enterprises.

<u>Details</u>	<u>Shs.</u>
Stock 1 <sup>st</sup> January 2012	430,000
Purchases	930,000
Sales	1,155,000
Carriage outwards	25,000
Carriage inwards	10,000
Returns outwards	20,000
Returns inwards	30,000
General expenses	100,000
Insurance	25,000
Stock 31 <sup>st</sup> December 2012	470,000

Calculate

- i) Turnover (1mk)
- ii) Rate of stock turn over (3mks)
- iii) Mark up (2mks)
- iv) Margin (2mks)
- v) Net Profit (2mks)
6. The following transactions relate to Pumua Wholesalers for the month of March 2011. March 1: Bought goods on credit from Kawe distributors Shs.26,200, Kamakia Shs. 15600, Mambo Shs.33,360.
- March 2: Sold goods on credit to Fuma retailers Shs.37,200, Tito grocers Shs.25,500 and Wamba traders Shs. 16,250.
- March 6: Returned goods to Kamakia Shs.2,400 and Mambo Shs.4,160.
- March 9: Sold goods on credit to Tamu Shs.5,500 and Patu Shs. 18,200.
- March 11: Bought goods on credit from Chuma Shs.33,840.
- March15: Goods returned by Tamu Shs. 1,500 and Fuma retailers Shs. 1,820 and Patu Sh.2,600.
- March 18: Bought goods on credit from Jama Shs.21,210 and Sama Shs.53,850.
- March 26: Credit sales to Kamanja Shs. 16,600, Orengo Shs. 19,260 and Wama traders Shs. 15,200.

REQUIRED:

Enter the above transactions in the respective journals. (10mks)

- 6 a) Explain **FIVE** benefits of sharing of office machines in an office (10 marks)
- b) Explain **five** benefits that Kenya will reap after the completion of the standard gauge railway (SGR) (10 marks)



**MOKASA**  
**565/1**  
**BUSINESS STUDIES**  
**2017**  
**2 Hours**

1. State four visual means you would use when communicating with a friend. (4 marks)
2. Distinguish the following types of goods, citing examples in each case. (4 marks)
  - i) Intermediate and finished goods
  - ii) Material and No material goods
3. Outline four micro-economic factors that promote business operations. (4 marks)
4. Highlight four benefits to a member of a savings and credit cooperative society. (4 marks)
5. Clearly state the difference between the following product markets. (4 marks)
6. Highlight four reasons that account for the popularity of air transport in Kenya among the passengers. (4 marks)
7. State four features of a developed country. (4 marks)
8. Outline four measures that Kenyan Government may use to curb the high rate of unemployment among its youthful population. (4 marks)
9. Fill in the missing figures in the table below. (4 marks)

ASSETS	LIABILITEIS	CAPITAL
14,000	15000	(a)
(b)	1800	5700
24,000	(c)	18,000
123,000	76,000	(d)

10. Highlight four limitations that may accrue to a producer who uses intermediaries in the distribution of her products. (4 marks)
11. The use of electronic billboards in product promotion has gained a lot of popularity in the recent past. Give four advantages of using electronic billboards. (4 marks)
12. Highlight four uses of a journal proper. (4 marks)
13. Highlight four reasons for co-insurance. (4 marks)
14. In the spaces provided below, state the characteristics of an entrepreneur to which each of the statements relate. (4 marks)
  - They don't give up easily eve when the going if tough .....
  - Ability to watch the trends and tell what people need in future
  - They ensure that customers area satisfied so as to continue buying from the business
  - Putting money into new business whose profits are not assured
15. On 1<sup>st</sup> Jan 2017, lyon opened a stationery shop with shs 65000. During the month, she invested and additional shs 12000 and withdrew shs 23400 for personal use. On 28<sup>th</sup> Feb 2017, the final capital was shs 40,000. Calculate the profit or loss made in the course of that trading period. (4 marks)
16. List four types of economic integration (4 marks)
17. From the following transactions, include the effects (Increase, Decrease or No effect) on assets, Liabilities and capital of a Business. (4 marks)

	Transactions	Capital	Assets	Liabilities
a)	The owner took goods worth sh 4,000 from the business for family use			
b)	Paid electricity expense sh 2,000 by cheque			
c)	Sold goods worth sh 5,000 for shs 4,700 on credit			
d)	Received a commission from a creditor shs 3,000 cash			

18. Outline four contents of an invoice. (4 marks)
19. State four ways in which the government can influence the price of a commodity. (4 marks)
20. Outline four requirements for opening a current account with a commercial bank. (4 marks)
21. Highlight four strategies that a small firm could adopt to expand so as to enjoy economies of scale. (4 marks)
22. Other than taxation, outline four other sources of internal public finance. (4 marks)
23. Give four benefits of a retailer establishing own business. (4 marks)
24. Highlight four levels of inflation. (4 marks)

25. The following balances were extracted from the books of Mzee pembe for the period ended 31<sup>st</sup> December 2015.

Carriage on sales	3,000
Salaries	6,000
Rent income	8,000
Interest on loans	4,000
Gross profit	5,000
Insurance	14,000
Commission received	3,000

Prepare a profit and loss account as at 31<sup>st</sup> December, 2015.

**MOKASA**  
**565/2**  
**BUSINESS STUDIES**  
**2017**  
**Paper 2**

1. a) Explain five advantages of division of labour. (10 marks)  
 b) Explain five problems in calculating income using the output approach (10 marks)
2. a) Describe five means of written communication (10 marks)  
 b) Outline five ways a country may control her imports so as to correct her Balance of payment disequilibrium. (10 marks)
3. a) Explain four measures that can be taken to control demand pull inflation (8 marks)  
 b) Kivunja started business on 1st January 2017 with capital Sh 120,000 in cash. The following transactions took place during the first week of the month: 2017  
 Jan 2: Opened a bank account and deposited cash Sh 90,000  
 3: Bought stock of goods for Sh 40,000 and paid Sh 20,000 cash, the balance to be paid later.  
 4: Cash sales paid direct into the bank sh 12,000  
 5: Paid rent Sh 2,000 in cash  
 5: Sold goods Sh 21,000 payment received by cheque.  
 6: Bought office equipment's for Sh 150,000 by cheque.  
 7: Received a commission from Taptok traders sh 3,000 cash

*Required*

Prepare the relevant accounts, balance them off on 7<sup>th</sup> January 2017 and extract a trial balance as at that date.

4. a) Explain five insurance policies you would advise your Principal to take as she/he insures your school resources (10 marks)  
 b) Using a diagram, explain the effect on the decrease in supply on equilibrium price and quantity while demand is constant (10 marks)
5. a) Explain five problems associated with youthful population (10 marks)  
 b) Explain five roles of central bank in an economy (10 marks)
6. a) Explain four services that are offered by retailers to consumers. (8 marks)  
 b) The following trial balance relates to Belion traders for the period ended 31<sup>st</sup> December 2016. (12 marks)

Belion traders Trial Balance As at 31/12/16		
Items	Dr(Sh)	Cr(Sh)
Gross profit		800,000
Buildings	1,800,000	
Debtors	400,000	
Creditors		375,000
Stock	650,000	
Bank	250,000	
Cash	80,000	
General expenses	240,000	
Discount allowed	21,000	
Discount received		30,000
Commission received		15,000
Furniture	480,000	
Capital		2,701,000
	3,921,000	3,921,000

*Additional information*

- i). Stock on 1<sup>st</sup> January 2016 was valued at Shs. 580,000
- ii). Profit margin was 20%

*Required.*

Trading profit and loss account for the period ended 31<sup>st</sup> December 2016 and a balance sheet as at that date.

(12 marks)

**MOSTA JOINT EVALUATION EXAMINATIN 2017****565/1****BUSINESS STUDIES****PAPER 1****2017****TIME: 2 HRS**

1. Highlight four principles of insurance. (4 mks)
2. Outline four reasons how competitive environment affects Business activities. (4 mks)
3. State four characteristics of a perfect competition market. (4 mks)
4. Outline four differences between a good and a service. (4 mks)
5. Match the following statements with the correct source documents. (4 mks)

	Statement	Source document
(i)	A document that serves as an evidence that cash has been received or paid out.	
(ii)	A document that shows the details of all the expenses incurred, the amount of money spent and the purpose of incurring such an expense.	
(iii)	A document sent by the seller to the buyer demanding payment for goods or service delivered.	
(iv)	A document written by a supplier and sent to a buyer informing him / her that his / her account with the supplier has been debited.	

6. This is the Mitegi's demand schedule for Bread in a week.

<u>Price per loaf (shs)</u>	<u>No of loaves demanded</u>
30	1
20	2
15	4
12	6
10	8
5	12
1	20

Required:

Draw the demand curve of Mutegi's Bread for a whole week.

(4 mks)

7. Highlight four importance of business studies to a learner. (4 mks)
8. Using the balance sheet equation. Fill the missing figures in the following table. (4 mks)

	Assts	Capital	Liabilities
(i)	21,920	?	30,341
(ii)	?	2,192	19,840
(iii)	3,773	1,591	?
(iv)	240	150	?

9. Outline four roles played by the stock exchange market as a market for securities. (4 mks)
10. Highlight four factors which may influence choice of a distribution channel. (4 mks)
11. Outline four advantages of a bonded warehouse. (4 mks)
12. Match the following documents with their relevant uses. (4 mks)

	Statement	Documents
(i)	This is a document which briefly describes the goods a seller stocks	
(ii)	A documents sent by the seller to the buyer when an inquiry is specific in mature.	
(iii)	A document sent to a prospective buyer to inform him/her that the order has been received and it is being acted upon.	
(vi)	A document sent by the buyer when goods get damaged on the way and returned to the seller.	

13. Highlight our goals of economic development. (4 mks)
14. Outline the type of unemployment in an economy and give the cause for each. (4 mks)
  - (i) Unemployment occurs when people lose jobs and go looking for new ones
  - (ii) Unemployment that occurs when people are actively looking for jobs at the existing wage rate but cannot get them....
  - (iii) Unemployment that occurs repeatedly at similar times
  - (iv) Unemployment that occurs when demand for labour declines due to either changes in the method of production or a decrease in the supply of goods and services.
15. Outline four reasons why there is need for ethical practices in business. (4 mks)
16. Highlight four problems encountered in measuring national income using the output approach method. (4 mks)

17. Match the following uses with the appropriate office equipment.

(4 mks)

	Uses	Office equipment
(i)	It is a machine that is used for preparing cash receipts	
(ii)	It is a machine used for trimming documents into required shapes and size.	
(iii)	A machine which is used for cutting unwanted documents into tiny pieces to avoid such documents getting into the wrong hands.	
(vi)	A machine which is used to complex calculations.	

18. Explain the meaning of the following terms of sale as used in international trade.

(4 mks)

- (i) F.O.B. (Free on Board).....  
 (ii) LOCO or ex-warehouse or ex- works.....  
 (iii) F.O.R. (Free on Rail).....  
 (iv) In bond .....

19. Highlight four ways how consumers can protect themselves from exploitation from unscrupulous wholesalers / traders.

(4 mks)

20. Outline four criteria used in determining the size of the firm.

(4 mks)

21. Outline four tools that the central bank of Kenya uses to control monetary policy.

(4 mks)

22. Calculate the gross profit given the margin of  $\frac{1}{6}$  and the cost of goods sold to be 400,000/=.

(4 mks)

23. Highlight four advantages of operating a current account.

(4 mks)

24. Outline four factors that influences the choice of product in the market.

25. List four essential of an effective communication.

**MOSTA JOINT EVALUATION EXAMINATION 2017****565/2****BUSINESS STUDIES****PAPER 2****2017****TIME: 2 HRS**

1. (a) Explain five limitations of using per capita income in measuring peoples standard of living. (10 marks)
- (b) Explain five problems that a country could face in development planning. (10 marks)
2. (a) Explain five features that differentiate a private limited company from a public limited company. (10 marks)
- (b) Explain five factors that are considered when carrying out evaluation of business opportunities. (10 marks)
3. (a) Explain any five factors that may influence the supply of a product. (10 marks)
- (b) Explain five advantages of containerization to a countries transport system. (10 marks)
4. (a) Explain five advantages of division of labour in the production process. (10 mks)
- (b) On 1<sup>st</sup> September 2012, Malo Enterprises had Sh 55,000 in hand and Sh 250,000 at bank. During the month the following transactions took place:
 

September	2	Cash sales banked sh 35,260
	2	Bought stationery in cash sh 4,500
	7	Paid Lucy, a creditor sh 94,000 by cheque in full settlement of his account after deducting 6% cash discount.
	10	Received a cheque for sh 58,800 from Njoki after allowing her a cash discount of sh 1,200
	15	Paid electricity Sh 34,000 in cash
	20	Withdrew sh 50,000 from bank for office use
	25	Lupita, a debtor paid her account of sh 75,000 by cheque less 10% cash discount
	28	Deposited all the cash into bank except sh 13,700

Required: Prepare a three column cash book and balance it off. (10 mks)

5. (a) Explain five characteristics of a good filling system. (10 mks)
- (b) Explain five benefits a country may enjoy for being a member of Comesa. (10 mks)
6. (a) Explain any five services provided by commercial banks to the business community. (10 mks)
- (b) The following trial balance relates to Solai Enterprises for the year ended 31.12.2013

Stock 1.1.2013	25,000
Purchases	250,000
Sales	520,000
Salaries	24,000
Returns outwards	40,000
General expenses	48,000
Returns inwards	70,000
Carriage inwards	20,000
Carriage outwards	30,000
Insurance	5,000
Electricity	7,500
General revenues	80,000

Additional information  
Closing stock sh 30,000.

Required:

Prepare Solai Enterprises trading profit and loss account for the period ended 31.12.2013.