

565/1

BUSINESS STUDIES

PAPER 1

JULY/AUGUST 2010.

TIME 2 HOURS.

LAICOMET FORM FOUR EXAM 2010

565/1

BUSINESS STUDIES

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2 HOURS.

INSTRUCTIONS:

Answer all questions in the spaces provided in the question paper.

1. State the role of intermediaries to a producer. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

2. Kenya is expanding its oil pipeline. Give four benefits of this activity to the Kenyan economy. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

3. The following balances were extracted from the books of Longo as at 1st Jan 2000.

Drawings shs.50, 000
Added investment shs.90, 000
Capital as at 31st Dec 2000 shs 800,000
Capital as at 1st Jan 2000 shs 450,000.

Calculate the profit or loss for the year ended 31st Dec 2000. (4mks).

4. State whether the following Ledger accounts are Nominal, Personal or Real accounts.

- a) Sales _____
- b) Commission paid _____
- c) Creditors _____
- d) Fixtures and fittings _____ (4mks).

5. Outline four factors which affect the circular flow of income. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

6. Highlight 4 ethical practices that should be observed by a business. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

7. State the type of error represented by each of the following sentences.

- i). Entries are made in the wrong accounts. _____
- ii). A transaction is not recorded completely in the ledgers. _____
- iii). Entries are made but in the wrong accounts. _____
- iv). Both debt and credit entries are made using similar but incorrect accounts.

_____ (4mks).

8. The following transactions relates to Mukuna traders for the month of Jan 2009.

- Jan. 1. Started a business with shs 40,000 cash.
- Jan. 3. Deposited shs 20,000 into the bank account.
- 7. Bought a weighing machine shs. 5,000 in cash.
- 13. Bought stock by cheque 12,000.
- 14. Withdrew 5,000 from the bank for office use.

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

9. Outline 4 common goals that a country may aim at in order to achieve economic development. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

10. State the books of original entry prepared using the following source documents.

- a). Cash sale receipts. _____
- b). Invoice received. _____
- c). Credit notes.. _____
- d) Vouchers. _____ (4mks).

11. The following data was collected for product X, Y and Z for calculating the consumer price index for the period 2004 and 2006.

PERIOD	2004		2006	
PRODUCT	PRICE (shs)	QUANTITY(units)	PRICE(shs)	QUANTITY(units)
X	10	600	30	400
Y	40	800	50	300
Z	30	1,200	40	800

i). You are required to calculate the consumer price index for the period. (4mks).

ii).interpret your answer in (i) above. (1mk).

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.....

12. Distinguish between a statement of affairs and a balance sheet. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

13. Give 4 gaps which exist in the market that an entrepreneur can use to identify a viable business opportunity. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

14. Outline the relationship between scarcity, choice and opportunity cost. (2mks).

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15. State 4 indicators that show workers are not properly motivated. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

16. Identify four reasons why a business may require a business plan. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

17. You are provided with the following information.

	Shs.
Sales	400,000
Expenses	20,000
Mark up	25%

Calculate:

i) Cost of goods sold (3mks).

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ii) Net profit. (1mk)

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18. Apart from demand and supply forces outline four other methods of price determination. (4mks).

i).....
ii).....
iii).....
iv).....

19. State four advantages of mail order service to the customer. (4mks).

i).....
ii).....
iii).....
iv).....

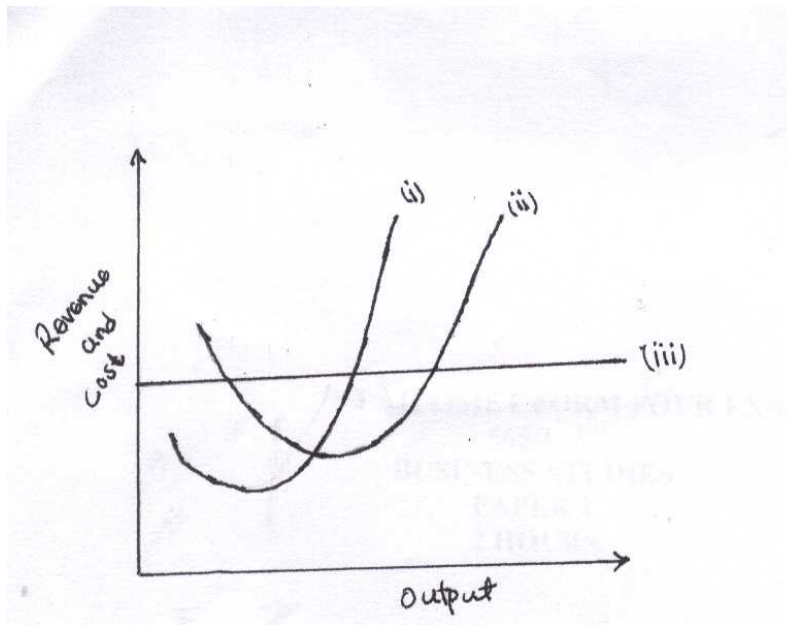
20. Karanja bought goods worth shs 40,000 from Menjo wholesalers on 1/5/2009.

He was offered 5% trade discount and 3% cash discounts if he paid for the goods within 7 days and 2% cash discount if he paid within 15 days. If he paid for the goods on 16/5/2009, how much money did he pay? (4mks).

21. Give 4 reasons why a person may prefer to run a business as a sole proprietor. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

22. The following diagram represents a market structure.



- a) Label the curves marked: i. (3mks).
- ii.
- iii.

b) State the market structure. _____ (1mk).

c) On the diagram mark the equilibrium output of the firm. (1mk).

23. Give 3 advantages of using retained earnings to finance a business. (3mks)

- i).....
- ii).....
- iii).....

24. State how Catherine a mobile seller can overcome the stiff competition in the market. (4mks).

- i).....
- ii).....
- iii).....
- iv).....

25. Identify 4 benefits Kenya will accrue from the adoption of renewable source of energy in the country. (4mks).

- i).....
- ii).....
- iii).....
- iv).....