

KCSE MOCKS **BUSINESS STUDIES**

SET 1

FOR MARKING SCHEMES
CALL/TEXT/WHATSAPP 0705525657

(KCSE MOCKS 1-10)

***A COMPILATION OF BUSINESS
MOCKS IDEAL IN KCSE REVISION
PURPOSES***

MR ISABOKE 0705525657

TRIAL 1

K.C.S.E TRIAL AND PRACTICE EXAM

BUSINESS

565/1

BUSINESS STUDIES

1. Highlight four social responsibilities of a business to its costumers
(4mks)
outline four roles played by the government in creating of an enabling business environment
2. Give four measures that may be taken by the government to reduce income inequalities in a country
(4mks)
3. List four principles of a good tax system
(4mks)
4. List four stages involved in staffing as a function of management
(4mks)
5. Give four essential elements of a transport system
(4mks)
6. The supply schedule for Mr. Okutoyi is shown below

Price	quantity
(Ksh)	
2	40
5	200

 - (a) Calculate the price elasticity of supply
(2mks)
 - (b) Interpret the meaning of this elasticity of supply
(1mk)
7. Highlight four causes of demand pull inflation in an economy
(4mks)
8. List four disadvantages of buying goods on hire purchase terms over credit purchase
(4mks)

9. Outline four conditions which favour the use of personal selling as a strategy of product promotion
(4mks)
10. Highlight four barriers associated with written communication
(4mks)
11. The balance sheet of King Kong Enterprises as at 31st May, 2004 is given below

King Kong Enterprises

Balance sheet

as at 1st may 2004

ASSETS	KSH	LIABILITIES	KSH
Equipment	19,000	Capital	71,000
Delivery van	120,000	loan	120,000
Stock	36,000	creditors	19,000
Debtors	22,000		
Cash in hand	13,000		
	210,000		210,000

The following transactions took place in the business.

May 2, paid creditors by cheque Sh. 9000

May 3, debtors paid Sh. 18000 by cheque and Sh. 2000 in cash

May 4, the proprietor deposited Sh. 50,000 into the business bank account from a cash prize won in a
competition

May 5, bought equipment Sh. 6000 and paid by cheque

May 6, paid a creditor Sh. 7500 by cheque

Required

Prepare the balance of the business as at 7th may 2004

(5mks)

12. The following information was obtained from Jakaila traders for the year ending 31st Dec, 2004

	Sh
Debtors balance on 1 st Jan 2004	24,000

Debtors balance on 31 st Dec 2004	72,000
Discount allowed	18,000
Return inwards	5600
Cash received from debtors	298,000
Debtors dishonoured cheque	18,000
Discounts disallowed	500

Required

Determine the value of credit sales for the period ending 31st Dec 2004 (4mks)

13. Enter the following transactions in the ledger accounts of Onyango Traders for the month of May 2004.

(4mks)

May 1: Started business with Sh. 150,000 cash

2: Bought goods on credit from Kamau for Sh. 40,000

4: Sold goods for cash Sh. 34,500

5: Returned some of the goods purchased from Kamau for Ksh. 4,500

14. Record the following transaction in the cashbook of Ole Polos traders for the month of January 2005 and balance it off.

1st Jan: Cash in hand Sh. 10,000, cash at bank Sh. 20,000

10th Jan: Paid by cheque Kamau Sh. 8,800 and Mogaka Sh. 11,000 after deducting 12% cash

discount in each case

30th Jan: Banked all the cash leaving Sh. 1200 in the cash till (5mks)

15. Majengo wholesalers operates with the following ledgers. Sales ledger, cashbook, nominal ledger, and general ledger. State the ledger in which the following accounts would be found.

(4mks)

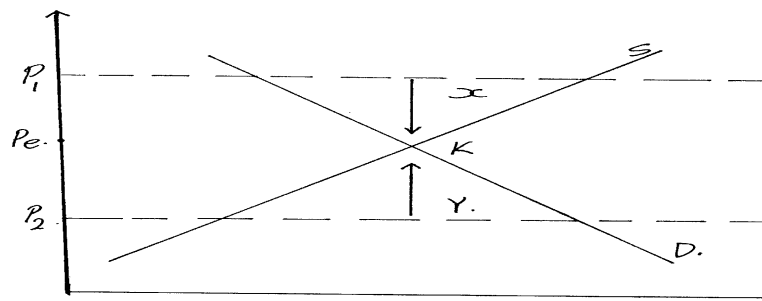
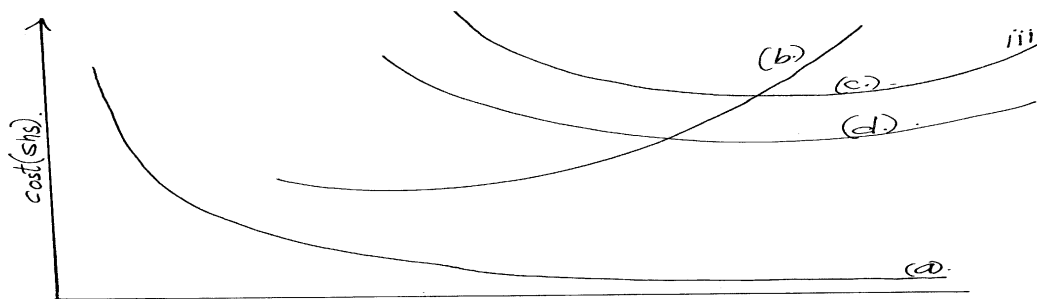
Account	Ledger
Sales	
Purchases	
Debtors	
Creditors	
Capital	
Salaries	

Commission received	
Bank	

16. Complete the following table by indicating the account to be debited and one to be credited (4mks)

Transaction	Account DR	Account CR
i) Bought a delivery van on credit from general motor Ltd		
ii) Yialie, a proprietor converted private furniture into a business asset		
iii) Withdrew cash from bank for business use		
iv) Sold furniture and payment received by cheque		

17. The graph below represents cost curves between various cost curves in a firm

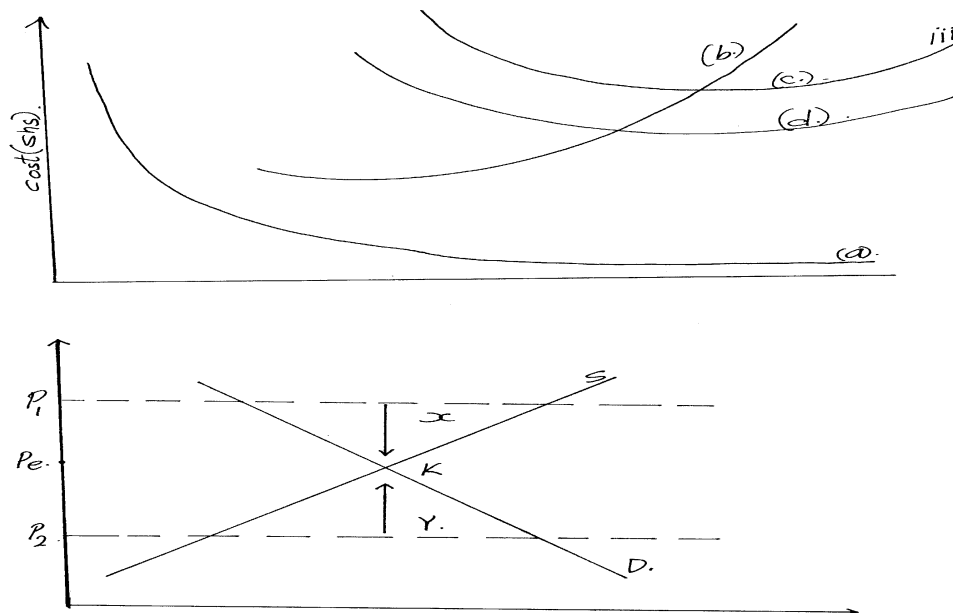


Name the cost curve labeled

(4mks)

18. State the role of business community in environmental and community health management (4mks)

19. List four errors that will not affect the agreement of the trial balance
(4mks)
20. Outline four benefits of a bonded warehouse to the government
(4mks)
21. Outline four ways in which a trading account is important to a business
(4mks)
22. Outline three ways in which the international bank for reconciliation and development
(World Bank) promotes international trade
(3mks)
23. Highlight four negative implications of a rapid population growth in developing countries
(4mks)
24. The diagram below shows movement of price towards equilibrium. Study it and answer the questions below.



Identify the region marked

- (a) x
- (b) y
- (ii) Name the point marked K

TRIAL 1

BUSINESS STUDIES PAPER 2

565/2

1. a) Explain **FIVE** benefits a person gets as a result of taking a whole life policy with an insurance company. 10mks
b) A commodity X has an abnormal demand curve and a normal supply curve. With an aid of a diagram explain the effects on the equilibrium quantity and price caused by an increase in supply.
10mks
2. a) Explain **FOUR** circumstances when a manufacturer would prefer promoting sales of his products using personal selling method. 8mks
b) Maendeleo Traders have the following information in their books of account on 31st December 2002.

	Kshs.
Stock (01/01/2002	6,000
Sales	100,000
Return-in	2,000
Return-out	2,800
Carriage-in	1,000
Carriage-out	1,500
Purchases	88,000
Stock (31/12/2002)	4,000
Commission earned	3,500
Discount allowed	2,200
Sundry expenses	4,000
Discount received	4,400
Postage	800
Stationery	1,200

REQUIRED

FOR MARKING SCHEMES CALL/WHATSAPP 0705525657

- (i) Prepare a trading profit and loss account for Maendeleo Traders 10mks
- (ii) Calculate - Mark –up 1mk
- (ii) - ROSTO 1mk
3. a) Explain **FIVE** differences between public corporations and co-operative societies 10mks
- b) Explain **FIVE** sources of monopoly. 10mks
4. a) Explain **FIVE** factors that can contribute to the expansion of firms in a given industry. 10mks
- b) Highlight **FIVE** principles of taxation. 10mks
5. a) Below are the national income estimates of country Q during the year 2004.
- | | Value in Kshs. 000,000 |
|-------------------------|------------------------|
| EXPORTS | - 125,000 |
| Consumption expenditure | - 312,000 |
| Investment | - 150,000 |
| Government spending | - 208,000 |
| Imports | - 105,000 |
| Depreciation | - 5,000 |
| Net indirect taxes | - 25,000 |
- Given that the country has a population of 30 million people,
- i) Calculate the GNP per capita of the country. 4mks
- ii) Outline **FOUR** limitations of using GNP per capita in measuring the standards of living in a country. 8mks
- b) Explain **FOUR** services offered by wholesalers to producers. 8mks
6. a) Discuss **FIVE** functions of the central Bank. 10mks
- b) Highlight **FIVE** factors that have contributed to the continued popularity of postal service in Kenya. 10mks

TRIAL 2

565/1

BUSINESS STUDIES

1. Highlight on any four causes of business failures in Kenya. (4mks)
2. Cite four features of economic resources. (4mks)
3. Below are some of the factors that influence the operations of a business. Indicate with a tick

(√) in the appropriate column the business environment associated with each of the factors mentioned. (4mks)

Factor	Internal environment	External Environment
(i) Objectives and goals		
(ii) Technology environment		
(iii) Financial resources		
(iii) Political will		

4. Identify four types of cash terms of payments. (4mks)
5. State four essential components for communication to take place. (4mks)
6. State four factors limiting geographical mobility of labour. (4mks)
7. State four characteristics of ordinary shares. (4mks)
8. Give four factors that influence the choice of distribution channel. (4mks)
9. The following information relates to business W,X,Y and Z

Business	Assets	Liabilities	Capital Shs.
W	350,000	W	150,000
X	X	160,000	240,000
Y	800,000	450,000	Y
Z	700,000	Z	280,000

Determine the figures represented by W,X,Y and Z in the table. (4mks)

10. Name the ledger in which each of the following accounts can be found. (4mks)

Account

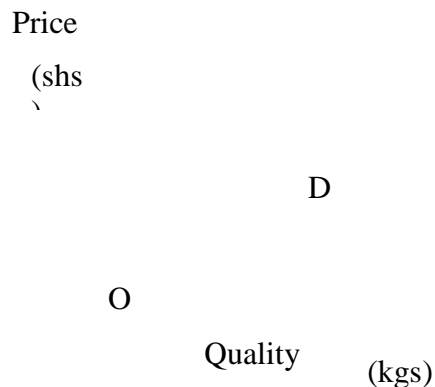
Ledger

(a) Motor vehicle account

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- (b) Debtors accounts
- (c) Creditors accounts
- (d) Bank account

11. The diagram below represents a demand curve for a product.



- (a) Identify the nature of the demand curve represented by the diagram. (1mk)
- (b) List three factors that may account for the nature of the demand curve represented above.

(3mks)

12. Highlight the factors to be considered when constructing consumer price index.(4mks)

13. State the objectives of export processing zones. (EPZ). (4mks)

14. Identify the international trade documents that relate to the following statements.

- (a) Indicate the country of origin of imported goods.....
- (b) Is a document of title to the goods traded in international trade.....
- (c) Used to demand payments before delivery of goods.....
- (d) Facilitates an importer to obtain credit.....

15. Differentiate between 'incidence of tax' and 'impact of tax'. (4mks)
16. Outline four sources of a business idea. (4mks)
17. The following purchases returns were made by Borabu Traders in the month of February 2005.

Feb. 4 Returns to Sam worth sh. 1,000 Credit note 123, to Kambi suppliers worth shs. 2,000 credit note 264.

Feb 20. Returns to Omache wholesalers' goods worth sh. 500, credit note 289, Kambi suppliers, worth sh. 1000 credit note 362.

Post the information to the purchases returns journal. (4mks)

18. The following balances were available for Anyimu's grocery shop on 31st December 2004

Capital	sh. 20,000
Bankloan	sh 20,000
Stock	sh. 12,000
Cash in hand	sh. 20,000

Draw the balance sheet following the order of liquidity. (4mks)

19. (a) Define the term "value added" as used in business studies. (1mk)
- (b) Determine the value of the missing values marked. 'a', 'b', and 'c' in the table below. (3mks)

	Factory 1	Factory 2	Factory3
Product	X	Y	Z
Price (shs)	500	(b)	14,500
Value added	(a)	3,500	(c)

a. =

b. =.....

c. =..... (3mks)

20. For each of the following transactions given below, indicate in the appropriate columns, the source document and the book of original entry in which the transaction should be recorded. (4mks)

Transaction	Source document	Book of original entry
a) Purchase of goods on credit		

b) Sale of desks on credit		
c) Payment to a creditor		
d) Goods returned by a client		

21. Cite four reasons why business persons prefer mobile phones to land lines as a means of communication. (4mks)
22. (a) Explain the term 'demand for money' (1mk)
(b) State the motives which underlie the demand for money in an economy. (3mks)
23. Highlight the service offered by the wholesaler to the retailer. (4mks)
24. Highlight four ways in which clothing satisfies human wants. (4mks)
25. Outline four sources of Oligopoly powers. (4mks)

TRIAL 2

565/2

BUSINESS STUDIES PAPER 2

562/2

1. (a) Explain FIVE services offered by commercial banks to business people. (10mks)
(b) Describe FIVE factors that affect the elasticity of demand.

2. (a) Study the diagram given below which shows equilibrium of a firm and answer the questions that follow.

(i) State the market structure represented by the above diagram.
[1 mk]
(ii) With a reason, state whether the firm is operating in the short run or long run.
(1mk)
(iii) Outline FOUR features of the above market structure.
(8mks)
(b) Kenya's development plans are praised world wide. Highlight FIVE problems that hinder their implementation.
[10mks]

3. (a) Explain FIVE ways traders can adopt to prepare goods for sale. [10mks]
(b) Explain FIVE benefits that Kenya is likely to get from free trade.
[10mks)

4. (a) Describe FIVE circumstances under which limited liability companies can be liquidated. [10mks]

0mks]

(b) Discuss FIVE: insurance policies that a wholesaler in Lodwar town can take.

[10mks

]

5. (a) Highlight FIVE measures that a government may use to control inflation.

(10mks]

(b) Discuss FIVE causes of under employment in Kenya.

[

10mks]

6. (a) Explain FIVE circumstances under which one may use signs in communication.

[10mks]

(b) The following information has been extracted from the books of Otieno Traders on 31st May, 2006.

	Shs.
Salaries	15 000
Discount received	16 000
Purchases	195 000
Returns inwards	4 970
Returns outwards	3 000
Sales	268 970
Stock (1 st June 2005)	24000
Stock (31 st May 2006)	46000
Discounts allowed	5 000
Insurance	14000
Commission earned	30 000
General expenses	11 000
Mortgage loan	80 000

Additional information:

(i) Interest on mortgage loan 20% p.a.

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- | | | |
|-------|----------------------|------------|
| (ii) | Outstanding salaries | Shs. 5 000 |
| (iii) | Prepaid insurance | Shs. 4 000 |

Prepare:

A trading profit and loss account for the year ended 31st May 2006.

[I

0mks)

TRIAL 3

565/1

Paper 1

1. Outline four reasons for establishment of a business enterprise. 4mks
2. Identify four documents used in the delivery process in home trade. 4mks
3. Outline three basic qualities of an office worker. 3mks
4. Outline four ways in which the government influences the quantity of a commodity supplied. 4mks
5. Highlight four factors that may be used in determining the size of a firm. 4mks
6. Outline four uses of a general journal. 4mks
7. Identify four type of taxes levied on businesses in Kenya. 4mks
8. The Central Bank is a banker to the government. Outline four banking services that it provides to the government. 4mks
9. The following information was extracted from the books of Kabila Traders for the year ended 31st December, 2003.

	shs
Capital on 1 st January 2003	270,000
Capital on 31 st December 2003	320,000
Drawings during the year	100,000
Additional capital introduced during the year 2003	30,000

Calculate Kabila Traders Ltd's profit or loss for the year ended 31st December 2003

3mks

10. Identify four sources of monopoly powers.
11. Under what circumstances would a common carrier refuse to transport goods of a particular trader 4mks

12. Highlight four advantages of hire purchase to the seller. 4mks
13. The following balances were extracted from the books of Njoroge traders on 31st May 2004.

	Shs
Creditors	62,500
Stock	2,000
2 years bank loan	40,000
Bank	160,000
Cash	20,000
Premises	800,000

- Prepare his balance sheet 4mks
14. Record the following transactions in the relevant ledger accounts.

2004

June 1 Ochieng started a business with shs.50,000 cash

“ 4 Bought office equipment for shs. 2,000

“ 6 Deposited shs.12,000 into the business bank account

“ 8 Bought stock for the shs.10,000

(Balancing of accounts not required) 4mks

15. Differentiate between circular letters and Memoranda. 4mks

Letters	Memoranda
i)	i)
ii)	ii)
iii)	iii)
iv)	iv)

16. The following diagram represents the demand and supply of a commodity.

Price

State four effects of fixing maximum price at Po. 4mks

17. Outline four characteristics of insurable risks. 4mks

18. Outline four factors to consider when deciding on an ideal office layout. 4mks

19. The following information was extracted from the books of Bondo Traders as at 31st December, 2004.

	Shs
Opening stock	2,500
Purchases	46,000
Closing Stock	1,500
Mark up	20%

Prepare a trading account. 4mks

20. The following transactions relate to Kabala Traders for the month of December, 2004.

2nd December: Cash sales shs. 30,000

8th December: Banked sh. 15,000

10th December: withdrew sh. 10,000 from bank for office use.

Prepare a cash extract. 5mks

21. Identify four advantages of export processing zones to a country. 4mks

22. Outline four benefits that a country gets by being a member of the international monetary fund (IMF)

4mks

23. Identify four short falls of after sales service as a method of sales promotion to the buyers. 4mks*BND*

24. State four circumstances under which a country's terms of trade would be unfavourable.

4mks

25. The following assets and liabilities were available as at 1st January, 2005.

	Shs
Cash in hand	43,000

Furniture	19,000
Telephone bills due	3,000
Rent outstanding	8,000
Electricity prepaid	4,000
Debtors	19,000

Prepare a statement of affairs as at 1st January 2005.

4mks

TRIAL 3

BUSINESS STUDIES PAPER 2

565/2

1. a) Explain FIVE ways in which central Bank of Kenya regulates the operations of commercial banks in Kenya.

10mks

- b) The table below represents a farmer's supply of cabbages in a local urban center.

Year	Quantity of cabbages (Tonnes)
2001	20,000
2002	15,000
2003	10,000

Assuming the price remained constant, explain five possible reasons for the trend in the supply of cabbages.

10mks

2. a) Explain FIVE differences between a public corporation and a public limited company.

10mks

- b) The following trial balance was prepared from the books of Triumphant NO-TABLES Enterprises as at 31st Dec. 2005.

Triumphant Notables Enterprises

Trial Balance

As at 31st Dec. 2005

	Dr	Cr
Sales	900,000	
Purchases	600,000	
Returns inwards	80,000	
Returns outwards		20,000
Carriage inwards	40,000	
Carriage outwards	3,000	
Stock (Jan 2005)	100,000	
Rent		60,000

Delivery van		180,000
Bank		60,000
Creditors		170,000
Debtors	120,000	
Interest Expenses	18,000	
General expenses	7,000	
Capital		178,000
	1,268,000	1,268,000

Stock on 31 Dec. 2005 was valued at sh. 135,000. Prepare a trading profit and loss accounts for the year ended 31 Dec. 2005.

10mks

3. a) Highlight five reasons why a distributor of consumer goods would prefer to locate his or her warehouse near the consumers. 10mks

b) Explain five factors that have limited the adoption of containerisation in the transportation of goods.

10mks

4. a) Explain five benefits that accrue to a company by using a prize winning competition to promote its products. 10mks

b) The following transactions relate to Expert Traders for the month of may 2005.

May 5: Sold goods on credit to Paul sh. 12,000 and Jane sh. 16,000

8: Bought goods on credit from Shah traders sh. 40,000

10: Purchased goods on credit from Grace sh. 34,000 and Peter traders sh.

31,050

16: Goods worth sh. 6,000 were returned to Shah traders and goods worth sh. 3,000 to Grace.

20: Goods sold on credit to Paul sh. 8,000 Tom sh, 11,000 and Joseph sh.

13,000.

26: Goods returned by Betty sh. 2000

Prepare the relevant journals.

10mks

5. (a) The following assets and liabilities relate to Manyonge a trader who does not maintain a complete set of accounts.

1998	shs.
Outstanding general expenses	8,250
Creditors	32,000
Debtors	18,000

A cashbook summary extracted on the same revealed the following.

Receipts

Cash sales	-	sh 35,000
Purchase	-	sh.31,200
Paid creditors	-	54,000

At the end of the year, the following information was available:

Discount received amounted to	sh. 7,600
Discount allowed	shs. 2,500
Creditors	sh. 25,000
Debtors	shs. 23,000
Outstanding general expenses	shs 10,700

Prepare:

- (i) General expenses Account
 - (ii) Total Debtors Account
 - (iii) Total creditors Account.
- (b) Outline six measures that a country may take to reduce unemployment.10mks
6. Country Z is a developing country and it intends to liberalize its economy. Discuss the effects of such a trading policy to the economy of the country. 20mks

TRIAL 4

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PAPER 1

1. Give four ways in which the productivity of human effort can be improved (4mks)
2. Give four differences between a proforma invoice and an invoice (4mks)
3. Outline the suitable terms that describes the following statements (4mks)

Statement	Term
i) Presenting a cheque for payment before time	
ii) A polite way of requesting for payment before goods are dispatched	
iii) An unconditional order written by seller to buyer when demanding for payment	
iv) Inferior goods which require the accompaniment of other goods which are slightly expensive to yield satisfaction	

4. Identify four ways through which franchising can be affected (4mks)
5. Mention four external diseconomies of scale (4mks)
6. Outline four methods used by the government to control monopoly powers in an economy (4mks)
7. The table below shows the demand and supply schedules of a commodity in the market.

<u>Price</u>	<u>Quantity demanded</u>	<u>Quantity supplied</u>
(SH)	Kgs)	(Kgs)
10	100	30

12	90	40
14	80	50
16	70	60
18	60	70
20	50	80
22	40	90

From the above schedule:

- (i) Give the nature of the supply of the commodity (1mk)
- (ii) Give the nature of the demand of the commodity (1mk)
- (iii) With the help of the diagram label the equilibrium prices and the equilibrium quantity (2mks)

8. The following trial balance was incorrectly prepared.

KALWAL TRADERS

Trial Balance As at 31/12/2004

	DR	CR
Capital		31,000
Cash in hand	11,000	
Creditors	14,000	
Insurance		12,000
Debtors	13,000	
Drawings		15,000
Bank overdraft		6,000
Bank loan	<u>18,000</u>	
Stock		<u>18,000</u>
Total	56,000	82,000

Required: Prepare the correct Trial Balance.

(5mks*Kyo*

- 9. State three reasons justifying the use of a credit note in a business transaction (3mks)
- 10. Identify the source documents that can be used in recording each of the following transactions (4mks)
 - a) To correct an undercharge in an invoice
 - b) To pay casual workers in an organization

c) To show that a credit transaction has taken place

d) To show that a cash transaction has taken place

11. The following transactions took place in the month of March 2006 in the business of Kandie

- March 2. Bartany traders returned goods worth Ksh. 2800
- March 10. Mondane traders returned goods worth Ksh. 1200
- March 15. Goods worth Ksh. 800 was returned to Safina traders.
- March 20. The supplier of iron sheets-Kivuva who was owed Ksh. 18,000 dispatched other items which were finally returned.
- March 22. Returned goods worth Ksh. 1600 to Ukwala traders
- March 28. Goods dispatched by Kokwo traders worth Ksh. 2400 got damaged while on transit and were returned.

Required: Prepare the Returns Inwards Journal for Kandie Traders (4mks)

12. Outline four sources of funds to a municipality (4mks)

13. Outline four benefits of Barter Trade (4mks)

14. The following statement shows the various levels of Economic Integration. Against this statements, give the level that suits each. (4mks)

Statement	Level
a) Member countries imposes common tariffs on non-member states	
b) Member countries have joint economic institution and common monetary and fiscal policies	
c) Member countries agree to either abolish or relax tariffs and other barriers	
d) Member countries allow free movement of factors of production	

15. State four measures that has been introduced by the Transport Licensing Board in its efforts to curb road carnage in Kenya. (4mk)

16. Give four reasons why most firms prefer open office layouts to closed one. (4mk)

17. State four factors that affect the circular flow of Income in an economy. (4mks)

18. Highlight four types of bills of exchange. (4mks)

19. State three contents of Partnership Act. (3mks)

20. The following information relates to Koswo Traders as at 31.12.2005,

Opening Stock	15,000
Sales	75,000
Purchases	50,000
Returns Inwards	8,000
Returns Outwards	4,000
Closing Stock	10,000

Calculate:

- a) Cost of sales (2mks)
- b) Gross profit. (1mk)
- c) Net sales (1mk)
- d) Net purchases (1mk)

21. Give three types of crossings in a cheque (3mks)

22. Outline three reasons for low geographical mobility of labour in Kenya. (3mks)

23. "Planning is primary in the management of a firm". State four reasons in support of this statement (4mks)

24. Cell phones are a common medium of communication today". Give four disadvantages of this medium of communication. (4mks)

25. Kamau, a sole trader does not keep a complete set of books. After scrutinizing his documents and interviewing him, the following information was available.

	1.1.2005	31.12.2005
Furniture		60,000
Stock	23,000	45,000
Delivery van	137,000	1 12,000
Trade Debtors	25,400	30,900
Trade Creditors	18,500	15,100
Commission received in advance	5,800	4,400
Cash in hand and at bank	14,000	17,300
Light and heat accruing		6,000
Bank Loan		32,000

Required: Use the above information to determine Kamau's Net profit or loss realized during the Year. (5mks)

TRIAL 4

BUSINESS STUDIES PAPER 2

565/2

1. (a) Explain four negative effects of economic development (8mks)
(b) Outline six factors that influence decisions on what goods and services to produce (12mks)
2. (a) Use the demand and supply schedule given below to draw a diagram showing the following
- (i) Demand and supply curves
 - (ii) Equilibrium quantity, equilibrium price and equilibrium point
 - (iii) Excess demand and excess supply

Price	Quantity demanded	Quantity supplied
450	10	70
400	20	60
350	30	50
250	40	40
150	50	30
50	60	20
10	70	10

(8mks)

- (b) Explain six functions of micro finance institutions (12mks)
3. (a) Describe five features of perfect competition (10mks)
(b) Outline five factors that influence the level of national income (10mks)
4. (a) Explain five factors influencing the choice of distribution channel 10mks
(b) The following transactions were carried out by Kiplangat traders during the month of July 2005.
- July 1: Started a business with Shs. 10,000 in cash
- 2: Opened a bank account for the business by depositing Shs. 20,000 from personal savings

- 10: Bought goods worth Shs. 10,000 and paid by cheque
- 20: Sold goods worth Shs. 20,000 which were paid for in cash
- 26: Paid Shs. 5,000 as salary to a worker by cheque
- 27: Took Shs. 5,000 in cash for personal use

Enter the above transactions in their respective ledger accounts and balance them off

(10mks)

5. (a) Explain six measures to solve unemployment problems in Kenya
(12mks)

(b) The following table shows relationship between output, total cost, marginal cost, the average fixed cost, average variable cost and total cost

Unit of output	Total fixed cost Shs.	Total variable cost Shs.	Total cost Shs.	Average fixed cost Shs.	Average variable cost Shs.	Marginal costs Shs.
0	100	0	-	-	-	0
1	100	110	(a)	(e)	(j)	-
2	100	260	(b)	(g)	(k)	(m)
3	100	380	(c)	(h)	(l)	(n)
4	100	460	(d)	(i)	(m)	(o)

Draw a similar table and use the information provided to complete it (8mks)

6. (a) Enter the following transactions in the petty cash book of Maendeleo stores for the month of July 2003 using the following analysis columns

Telephone and postage, office stationary, traveling expenses and office expenses. The business operates the petty cash book on an imprest system of 4000/= replenished on a weekly basis

July 1st-Received a cheque from the cashier to start the imprest

July 1st-Paid for taxi hire 250/= and 130/= for office cleaning

July 2nd-Bought postage stamps for 210/= and a ball of string for use in the office 100/=

July 3rd-Postage of a parcel cost 100/= and paid a telephone bill 900/=

July 4th Purchased envelopes for 150/= and one ream of photocopying paper 500/=

July 5th-Paid for bus fare 500/= and made a telephone call costing 50/=

July 6th-purchased a window cleaning cream for 250/= paid bus fare 200/=

July 8th-Received a cheque to replenish the imprest

July 8th-Bought various office stationary for 400/=

July 9th-Purchased postage stamps for 210/= and paid 950/= telephone bill

July 10th-paid train fare 600/= and taxi fare 250/=

July 11th Paid for office cleaning 150/=

July 12th - Purchased two reams of writing paper 600/= and office dusters 300/=

July 14th - Obtained a cheque from the cashier to replenish the imprest

Required

Prepare the petty cash book for the two weeks

8mks)

(b) The following trial balance relates to Leshao traders for the year ended 31st January 2005

PARTICULARS	DR	CR
Capital		110,000
Land and buildings	70,000	
Machinery	21,600	
Furniture	20,000	
Debtors	78,000	
Creditors		50,000
Opening stock	1,100	
Bank	60,000	
Cash	9,000	
Sales		15,400
Sales returns	400	
Purchases	8,000	
Purchases returns		1,200
General expenses	1,200	
Carriage inwards	400	
Carriage outwards	900	
Rent received		2,500
Commission received		1,000
Salaries and wages	6,000	
Electricity	700	
Insurance	1,500	
Postage	300	
Drawings	1000	
Bank loan		100,000
Total	<u>280,100</u>	<u>280,100</u>

Note: Closing stock on 31st January 2005 was valued at Kshs. 2,500

Prepare

- a) Trading, profit and loss account for the year ended 31st January 2005 (8mks)
b) Balance sheet as at 31st January 2005 (4mks)

TRIAL 5

BUSINESS STUDIES

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1. State FOUR features of labour as a factor of production. 4mks
2. State FOUR roles of ethics in businesses. 4mks
3. List FOUR subjects included in business studies. 4mks
4. State FOUR merits of replacing manual systems with automated ones in carrying out office activities.
4mks
5. Outline FOUR functions of a market. 4mks
6. The national income measure using the expenditure approach is given as $Y = C + I + G + (X - M)$. State what is represented by each of the letters in the equation.
3mks
7. Highlight FOUR circumstances under which a manufacturer would sell his products directly to the consumer.
4mks
8. State FOUR undesirable effects of inflation to the Kenyan economy. 4mks
9. State FOUR characteristics of human wants. 4mks
10. State FOUR factors that determine the size of a firm. 4mks
11. Highlight FOUR prominent features of a retailer's warehouse. 4mks
12. Outline FOUR emerging issues in government and business. 4mks
13. State FOUR uses of a credit note in home trade. 4mks
14. State FOUR external factors that affect the business. 4mks
15. Highlight FOUR advantages of private carriers in transport. 4mks
16. Outline FOUR factors that influence the supply of money in an economy. 4mks
17. The prospective insured is supposed to disclose all the information about the subject matter of insurance with all honesty. Mention any FOUR types of information to be disclosed
4mks
18. With the aid of a diagram, state the effect of an increase in the supply of a product on the equilibrium price and quantity. 4mks

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19. For each of the following transactions, state whether the transaction will cause an increase or decrease in assets, liabilities and capital.

3mks

	TRANSACTION	ASSETS	LIABILITIES	CAPITAL
a)	Borrowed a loan from bank and was issued with a cheque			
b)	Bought furniture for business on credit			
c)	Sold the delivery van for cash			
d)	Withdrew sh.2000 from business account for personal use.			

20. Give the meaning of the following business terms

- a) Debtor
- b) Capital
- c) Fixed assets
- d) Liabilities

21. Itemise the contents of a statement of account.

22. Use the table below to answer the questions that follow.

4mks

CASH BOOK

Date	Particulars	Cash	Bank		Date	Particulars	Cash	Bank
2/4/96	Bal. B/f	<u>X</u>	90,000		12/4/96	Motor expens	7,000	30,000
5/4/96	Sales	8,000			13/4/96	Cash (c)	15,000	
13/4/96	Bank(c)	30,000			15/4/96	Salaries		16,000
					17/4/96	Kibet	20,000	
23/4/96	Cash (c)		20,000		23/4/96	Bank (c)		
25/4/96	Sales		40,000				16,000	<u>Y</u>
					31/4/96	Bal. c/f		
		58,000	150,000				58,000	150,000

- a) Calculate the missing figures: X Y
- b) Explain the entries made on the dates specified below**NDI**
- (i) 13/4/96
- (ii) 17/4/96

- 23. State FOUR features of incorporated business units. 4mks
- 24. State FIVE ways through which unemployment problem in Kenya can be solved. 5mks
- 25. Highlight FIVE characteristics of under development. 5mks

TRIAL 5

565/2

BUSINESS STUDIES PAPER 2

1. (a) Describe five factors that determine price elasticity of demand. (10mks)
(b) A farmer in Kitale has maize to transport to Mombasa. He could either use road or railway transport. Explain to him five merits of using road instead of railway to transport the maize.

(10mks)

2. (a) From the balances extracted from Malimingi Traders books, you are required to prepare a statement of affairs as at 31/12/2005.

	1/1/2005	31/12/2005
	Ksh	Ksh
Stock	200,000	250,000
Debtors	40,000	50,000
Premises	60,000	50,000
Creditors	70,000	40,000
Motor vehicle	400,000	350,000
Net profit	_____	40,000
Drawings	_____	10,000

(8mks)

- (b) Explain five factors that influence the level of the National Income of a country. (10mks)
3. (a) Explain five roles of the central Bank of Kenya to the country. (10mks)
(b) From the following account balances extracted from the books of Mwema Traders for the year ended 31st Dec. 2005. Prepare a trading and profit / loss accounts.

	shs
Rates	50,000
Water	60,000
Wages	80,000

Discount on debtors	6,000
Stock 1/1/2005	800,000
Stock 31/12/2005	40,000
Purchases	600,000
Carriage on purchases	100,000
Sales during the year	2,000,000
Return into the business	2,000
Commission received	4,000
Carriage outwards	1,000
General expenses	6,000
Repairs to vehicles	20,000
Bank loan interest	5,000

(10mks).

4. (a) Explain five circumstances under which an insurance contract may be terminated.

(10mks)

- (b) Explain five negative consequences of a rapidly increasing population. (10mks)

5. (a) With the aid of diagrams, explain the relationship between the industry's equilibrium and a firm's equilibrium under perfect competition. (10mks)

- (b) Highlight five points on the importance of a local purchase order. (10mks)

6. (a) Explain any five principles of government expenditures. (10mks)

- (b) The following are transactions of Sukuma Week business for the month of June 2005.

June

- 1st Purchased stock for sh. 84,000 in cash and was given 2% cash discount.
- 2nd paid workers' wages by cheque shs. 20,000
- 3rd Sold goods worth sh. 240,000 and received cash after allowing 4% cash discount.
- 4th Received sh. 400,000 by cheque from a debtor after 2% cash discount allowed.
- 5th Bought office furniture for sh. 20,000 in cash.
- 6th sold an old business van for sh. 320,000 receiving the money through the bank
- 7th Purchased more stocks worth sh.20,000 by cheque.
- 8th Withdrew sh. 40,000 from bank to cash till.
- 9th Took sh. 80,000 to bank from the business.
- 10th Took stock of goods worth sh. 2000 from the business for personal use.

- 11th Paid electricity bill worth sh 3750, in cash sh. 2000 and the rest by cheque.
- 12th Received a cheque from Mwendwa a debtor worth sh. 60,000 in settlement of his debt
of sh. 66000.
- 13th Was given a loan of sh. 100,000 in cash from his bankers.
- 14th Received payment from a debtor Poro sh. 46,000 by cheque.
- 15th All the cash at bank was taken to the business for office use except sh. 50,000.

Required: Enter the above transactions in the two-column cash book.

(10mks)

TRIAL 6

565/1

BUSINESS STUDIES

1. In the table below, indicate using a tick (✓) whether the indicated factor constitutes internal or external business environment.

4mks

FACTOR	INTERNAL ENVIRONMENT	EXTERNAL ENVIROMENT
a) Management		
b) Economy		
c) Human resources		
d) Population		

2. Give THREE reasons why consumers make choice whenever they want to satisfy human wants. 3mks
3. Highlight FOUR factors that can promote occupational mobility of labour. 4mks
4. Give FOUR qualities of a good entrepreneur. 4mks
5. Highlight FOUR ways in which an open office lay-out can contribute to efficiency in office operations.

4mks

6. A wholesaler sold 20 bags of maize at Kshs. 1200 each to a retailer. The retailer was allowed a trade discount of 10% and cash discount of 3% if payment was made within a month. Calculate the total amount of money the retailer paid if the payment was made within a week.

4mks

7. Distinguish between
- (a) A firm and industry. 2mks
- (b) Direct costs and indirect costs. 2mks
8. Highlight FOUR ways in which the government can promote the location of business enterprises in a given area 4mks

9. Complete the table below relating to the trading accounts of businesses X and Y.

2mks**Tso**

BUSINESS	OPENING STOCK	PURCHASES	CLOSING STOCK	GROSS PROFIT	SALES
X	2000	7,500	800		10,400
Y	3,500	24,600		4000	30,000

10. State FOUR reasons why a trader would issue a statement of account to buyers 4mks
11. Outline FOUR disadvantages of ageing population. 4mks
12. Give FOUR uses of a bill of lading 4mks
13. Highlight FOUR reasons why air transport is the best suited for transporting valuable goods.
14. Jaja traders had a closing capital of Kshs. 280,000 on 31st December 2002. During the same year the following information was found in their books:-

4mks

	Kshs.
Gross profit	48,000
Total expenses	35,000
Drawings	6,000
Additional Investment	28,000

Calculate the opening capital for the year 2002.

15. Outline FOUR importance of a bonded warehouse to the government. 4mks
16. The diagram below represents the demand curve of a market structure.

Price
&
cost

Output

- (a) Identify the market structure 1mk
(b) Give reasons for the shape of the curve above. 3mks

17. The balance sheet below relates to Onyoni traders on 30th October 2005.

ASSETS		LIABILITIES AND CAPITAL	
Land	120,000	Capital	210,000
Premises	58,000	Loan (10yrs)	48,000
Van	72,000	Creditors	16,000
Stock	16,000	Overdraft	10,000
Cash	14,000		
Debtors	4,000		
	284,000		284,000

The following transactions took place during the month of November 2005.

- Took cash Kshs. 3,500 for personal use
- Sold van at Kshs. 80,000 and was paid by cheque
- Bought goods worth Kshs. 2,000 on credit.

Prepare a new balance sheet at the end of November for Onyoni traders. 5mks

18. Outline FOUR distribution channels for locally produced agricultural products. 4mks

19. Identify the motive of holding money in each of the circumstances below: 3mks

- (a) Need to hold money to cater for future unforeseen eventualities
(b) Need to have money to cater for daily expenses
(c) Need to have money with hopes that prices will fall in future in order to purchase more

20. Listed below, are transactions of a retailer in town X. For each of the following, identify the appropriate journal in which it should be entered.

4mks

TRANSACTION	TYPE OF JOURNAL
(a) Sold goods on credit to Nyawira Hotel	

(b) Goods sold earlier to Riziki were returned back due to defects	
(c) Received a credit note from Malaba Wholesalers	
(d) Bought goods from Zubeda distributors on credit.	

21. Outline **FOUR** features of under development. 4mks

22. The following information relate to Mapesa Enterprises on 31st December 2005.

Gross Profit	48,000
Salaries	8,500
Discount received	3,800
Bad debts	3,600
Discount allowed	3,000
Commission earned	4,000
Rent income	3,500
Depreciation	1,400

Required

Prepare Mapesa's profit and loss account at 31st December 2005. 5mks

23. Give two advantages of source documents to a firm. 2mks

24. The incorrectly prepared trial balance below belongs to Sifa Traders on 30th October 2004.

Prepare the correct trial balance. 4mks

	DR	CR
	Kshs.	Kshs.
Capital	149,400	
Debtors		45,300
Insurance	2,000	
Fixures	48,000	
Stock (30/10/04)	6,000	
Premises		160,000
Creditors	21,900	

ICDC loan

90,000

227,300

295,300

25. State FOUR negative effects of inflation to a country. 4mks
26. List THREE methods used in computing national income. 3mks

TRIAL 6

BUSINESS STUDIES PAPER 1

565 / 2

1. a) Discuss FIVE functions of the budget as a planning tool. 10mks
b) Explain five adverse effects of a large population on the economic development of a country. 10mks
2. a) Explain FIVE reasons for trade restrictions. 10mks
b) Highlight FIVE differences between a private limited company and public corporation 10mks
3. a) Explain FIVE uses of national income statistics.
b) Discuss FIVE advantages of mobile phones in communication 10mks
4. a) Describe FIVE steps followed in personal selling. 10mks
b) Explain FIVE contributions of appropriate technology to the success of business enterprise. 10mks
5. a) Discuss FOUR types of marine Insurance. 8mks
b) Enter the following information to the relevant books of original and post to the ledger 10mks

Feb 1 Sales to Ng'eno goods worth shs.4500 invoice no. 458
Feb 4 Sales to Njuguna goods worth shs.7,200 invoice no 213
Feb 12 Credit sales Ng'eno shs.8,000 invoice no. 469
Feb 17 Invoice no.214 to P.K Ndoto shs.9,200
Feb 24 Credit note no.102 from J. Ngeno shs.450
6. a Explain FIVE shortcomings of self employment 8mks
b) from the following trial balance of Utumishi enterprises, draw up a trading, profit and loss for the year ended 31st December, 2004

Utumishi

Trial balance

As at 31-12-2004 *NDI*

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General expenses	41,700	
Opening stock	28,000	
Motor expenses	51,450	
Salaries	249,200	
Insurance	27,440	
Purchases	1,286,950	
Sales		1,877,050
Motor vehicle	196,000	
Creditors		361,200
Debtor	286,300	
Premises	1,400,000	
Cash at bank	96,250	
Cash in hand	1,750	
Capital		1,704,290
Drawings	<u>304,500</u>	
	3,942,540	3,942,540

Stock on 31st Dec. 2004 was valued at sh.40,000

TRIAL 7

565/1

BUSINESS STUDIES

1. Write down four circumstances under which a country may be classified as underdeveloped. 4mks
2. State four benefits that a country may get by being a member of the International Monetary Fund (IMF) 4mks
3. List four disadvantages of an ageing population for a country. 4mks
4. State four measures that could be taken to control cost Push inflation. 4mks
5. Outline four uses of national income statistics in a country. 4mks
6. The following are types of advertising:
Product advertising
Competitive advertising
Informative advertising
Institutional advertising
In the table, match each type with its appropriate description. 4mks
 - (a) Creates awareness about a product
 - (b) Promotes the name of the manufacturer
 - (c) Persuades the consumers to buy a product
 - (d) Promotes a particular brand of a product
7. State four reasons why few Kenyans take out life assurance policies: 4mks
8. The following description relate to some documents used in home trade. In the spaces provided, write the name of each document described. 4mks
 - (a) A document seeking information on the availability of products and their prices.

- (b) A document showing products and quantity required.
- (c) A document describing items for sale and their prices.
- (d) A document sent to a specific buyer, detailing the availability of products and their prices.
9. Write down four advantages of an open office. 4mks
10. Name the department where the following functions are carried out. 4mks

FUNCTION

DEPARTMENT

- a) To maintain supply records
.....
- b)
- c) To enhance relationship among employees.
.....
- d) To control the use of machines, materials
and labour
- e) To maintain good relationships between
the customers and the organization.
.....
11. The following information relates to the businesses of Burundi Baridi Mjuaji and Falaa.
- | Business(sh) | Assets(sh) | Capital(sh) | Liabilities(sh) |
|---------------------|-------------------|--------------------|------------------------|
| Baridi | 500,000 | 300,000 | A |
| Mjuaji | B | 1,200,000 | 800,000 |
| Mawe | 300,000 | C | 120,000 |
| Falaa | 700,000 | 500,000 | D |
- Determine the value of: (4mks)
- A
- B
- C
- D

12. Listed below is a set of transactions. In each case, state whether the transaction will increase, decrease or have no effect on capital.

4mks

TRANSACTION	EFFECT
a) Additional cash invested by the owner	
b) Receiving cash from a debtor.	
c) Losses incurred by a business	
d) Owner takes some stock for own use	
e) Sale of old business furniture at a profit	
f) purchase of stock on credit.	

13. The table below shows four types of ledger accounts for a business. In the spaces provided, indicate by a tick, whether each of the accounts should have a debit or credit balance.

4mks

TYPES OF ACCOUNT	DEBIT	CREDIT
a) Expense		
b) Income		
c) Asset		
d) Liabilities		

14. Record the following transactions in the cash book of Mutonga Traders for the month of January 2004 and balance it. 5mks

2004

Jan1: Cash in hand sh. 10,000, cash at bank 20,000

Jan10: Paid Lucy sh. 8, 800 and Tarus sh. 11,000 after deducting 12% cash discount in each case.

Jan 30: Banked all the cash leaving sh. 1,200 in the cashbook.

15. For each of the following transactions, indicate in the spaces provided, the book of original entry in which the transaction would be recorded.

4mks

Transaction

Book of origin entry:

- a) Bought office furniture on credit. 4mks
- b) Withdrew cash for personal use
- c) Sold goods on credit
- d) Returned goods bought for sale on credit
16. Outline four barriers to written communication. 4mks
17. Outline four ways in which the government creates enabling environment for business. 4mks
18. State four advantages of operating a public limited company. 4mks
19. State four reasons why governments levy taxes. 4mks
20. For each of the following cases, name the motive for holding money. 4mks

SALE	MOTIVE
a) To meet daily transport expenses	
b) To meet any unforeseen circumstances	
c) To take advantage of anticipated fall in prices	
d) To pay for daily good requirements.	

21. The information given below was extracted from the business of Moto Traders, for the year ended 31st Dec. 2000

shs.

Creditors as at 1 st Jan 2000	40,000
Creditors as at 31 st Dec 2000	30,000
Cash paid to creditors during the year	200,000
Cash purchases during the year	60,000
Credit purchase returns during the year	10,000
Discount received	5,000

Calculate the total purchase for the year. 4mks

22. The following information relates to Ndolo Traders. For the year ended 31 Dec. 2003

	Shs
Gross profit	140,000
Salaries	20,000
Electricity charges	8,000
Discount allowed	6,000
Discount received	26,000

Prepare a profit and loss account for Ndolo Traders for the year ended 31st Dec, 2003

4mks

23. Outline four characteristics of a perfectly competitive market. 4mks
24. Write down four reasons that account for the continued survival of small firms despite the existence of large firms producing similar goods. 4mks
25. State whether the following would either lead to a shift in or a long-term movement in the demand curve. 4mks

FACTOR

EFFECT

- a) An increase in population

.....

- b) An increase in the sales tax of a product

.....

- c) A change in the price of a product

.....

- d) A change in real income.

.....

TRIAL 7

BUSINESS STUDIES PAPER 2

565/2

Paper 2

1. (a) Explain six circumstances which may make an insurance company not to compensate the Insured in the event of loss. (12mks)
(b) Explain four factors that influence the incidence of tax. (8mks)
2. (a) Explain five monetary instruments used by the government to reduce the supply of money in an economy. (10mks)
(b) Explain five reasons why firms with popular products find it necessary to continually advertise the same products. (10mks)
3. (a) The Kenya shilling has been depreciating in relation to the Sterling pound.
(i) Define the term depreciation. (2mks)
(ii) Explain four disadvantages of this process to Kenya's economy. (8mks)
(b) Explain five assumptions of monopolistic competition. (10mks)
4. (a) Discuss five causes of unemployment in Kenya. (10mks)
(b) Air transport is popular among businessmen even though it is expensive. Explain five reasons why businessmen opt for air transport. (10mks)
5. (a) Explain five characteristics of under-development. (10mks)
(b) Explain five advantages that accrue to a country as a result of foreign firms locating their enterprises in the country. (10mks)
6. The following information relates to Soittara Enterprises for the year ending 31st December 2005.

	Sh.
Gross profit	18000
Transport out	3000

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Discount allowed	2000
Rent received	5000
Sundry expenses	3000
Salaries	5000
Insurance	2200

Required:

- a) (i) Prepare the profit and loss account for Soittara Enterprises for the year ending 31st December 2005. (5mks)
- (ii) Give the importance of the profit and loss account. (5mks)
- b) Discuss five problems encountered when computing the consumer price index of commodities. (10mks)

TRIAL 8

BUSINESS STUDIES

565/ 1

1. Given the following transactions indicate in the spaces provided the book of original entry in which the transaction would be recorded.

TRANSACTION	Book of original entry
Returned goods bought for sale on credit	
Sold goods on credit	
Withdrew cash for personal use.	
Bought office furniture on credit	

4mks

2. Outline FOUR ways in which the government creates an enabling environment for business.

4mks

3. Highlight FOUR differences between a whole life policy and endowment policy 4mks

4. State Four measures that could be adopted to control cost push inflation. 4mks

5. Identify any FOUR factors that limit the use of credit cards in commercial transactions 4mks

6. The table below depicts the relationship between various parameters in determination of costs in a firm. Compute the missing values.

Output (Units)	Average Fixed Costs (AFC)	Average Variable Costs (AVC)	Average Cost	Total Cost	Marginal cost
1	20	10	30		
2	10	9.0	19		
3	6.7	8.0	14.7		
4	5.0	7.0	12		

4mks

7. The following information relates to Mumbua traders for the year ended 31st April 2005.

shs

Cash at bank	30,000
Cash in Hand	40,000
Current liabilities	500,000
Sales	920,000
Opening stock	150,000
Closing Stock	230,000
Margin	25%
Expenses	15% of sales

Determine

(i) Gross profit	1mk
(ii) Cost of sales	1mk
(iii) Purchases for the year	1mk
(iv) Net profit	1mk

8. Name FOUR current trends and emerging issues in communication in the world today 4mks
9. List FOUR reasons why a friend of yours who is joining form one next year should take Business Studies as one of her subjects. 4mks
10. Highlight FOUR reasons why carbon copying is not a popular method of reproducing documents in an office. 4mks
11. Record the following transactions in the relevant ledger accounts of Birgen traders excluding the capital account 5mks

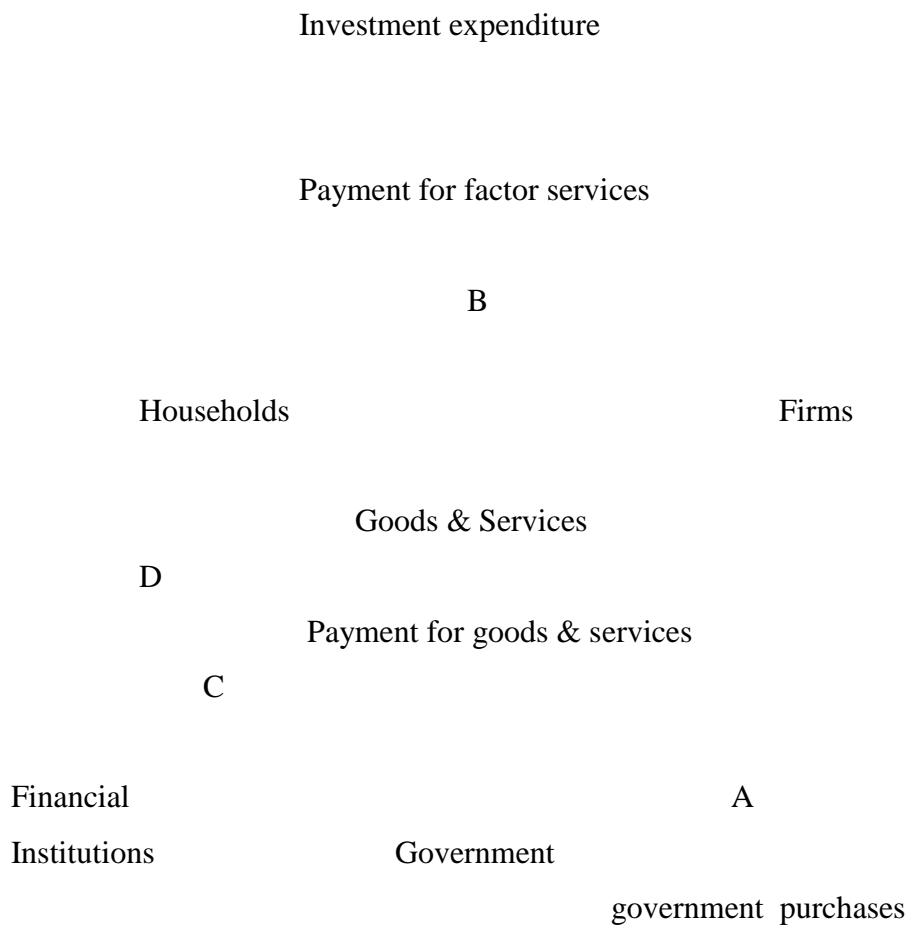
1st DEC. 2005 Started a business with sh.180,000 in a bank account, building sh. 200,000

and furniture sh. 40,000

2nd DEC 2005 Drew shs 100,000 from the bank for office use.

5th DEC 2005 Paid a watchman shs. 5,000

12. The following is a three sector economy circular flow diagram



Outline what letters A,B,C and D stand for:

4mks

13. Highlight FOUR limitations consumers are likely to face as they strive to protect themselves from unscrupulous businessmen 4mks
14. Wathiamo runs a hotel business in Kimumu village. He maintains scanty records, but the following details about the business were available on 31st October 2005.

	Shs
Creditors	42,000
Cash at Bank	173,000
Rent income in advance	35,000
Debtors	76,000
Furniture	84,000
Insurance outstanding	20,000
Stock	160,000

- Prepare Wathiamo's statement of affairs as on the particular date. 5mks
15. Distinguish between the following terms.
- a) Comforts and luxuries. 2mks
- b) Human Resources and Man Made resources. 2mks
16. Define the following terms
- (i) Bureaucracy
- (ii) Pilferage
- (iii) Ultra vires
- (iv) De-industrialisation 4mks
17. State Four factors that may influence the choice of a distribution channel. 4mks
18. Use the information below to write up a three column cash book and balance it as at 31st December, 2003. 5mks
- 2003 Dec 1st -Kericho Ltd. had cash balance of sh.2,000 and bank balance of sh. 39,800.

- Paid by cheque Abdi account of shs. 20,000 less 5% discount.

2nd - Received a cheque for sh. 9800 from Habib in Full settlement of her account of

sh.10,000

9th - Cash sales paid directly into the bank sh.3500

12th - Paid insurance by cash sh 1150

22nd – Kiminini traders settled their account of sh. 6400 by cheque at a cash discount
of 2%

28th - Paid rent in cash sh. 1000

30th – Withdrew sh. 4000 from the bank for office use

19. Use a diagram to illustrate the fact that increased supply leads to a reduction in price and that

a lower price results in decreased supply. 4mks

20. Imperfect competition takes many forms. Outline FOUR features of retail trade as a form of monopolistic competition. 4mks

21. The proposed share capital of Bahati Company is Kshs. One million divided into:-

- i) Kshs.600,000 ordinary shares.
- ii) Kshs.400,000 preference shares.

The shares are divided into equal shares of Kshs. 10 each. In the period ending 31st Dec. 2000 they made a profit of kshs120,000. Find out how much was paid as dividend on ordinary shares if each of the preference shares was earning an extra sh.1.

4mks

22. State Four reasons to justify product promotion activities carried out by businesses 4mks
23. Highlight Four circumstances under which a business may fail to achieve the objectives set out by its owners 4mks
24. State Five reasons why John would prefer to obtain a loan from his sacco and not a commercial bank.

SAMPLE PAPER 8

BUSINESS STUDIES PAPER 2

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Paper 2

1. a) Discuss FIVE reasons for the existence of small firms in an economy. 10mks
b) Discuss FIVE causes of inflation in a country. 10mks
2. a) Explain FIVE benefits that would accrue to a business person who transports goods by liners rather than tramp streamers. 10mks
b) Explain FIVE sources of finance open to Kenya government. 10mks
3. a) Highlight FIVE indicators used to evaluate a country's economic development. 10mks
b) Prepare a duly balanced three column cash book from the following information.
Jan 1: Balance b/d cash shs.4,000 bank shs 27,000
“ 4 Settled Olweny creditors account of shs. 8,000 by cheque having deducted 6% cash discount.
“ 8: Received shs. 6000 cash from Mutoma traders
“ 16: Deposited shs. 4,500 to the bank account
“ 24: Withdrew shs. 9,200 from the bank for private use.
“ 29: Received shs. 19,950 from Kawawa by a cheque after allowing 5% discount.
“ 31: Banked all the cash leaving only sh 1,500 in the office. 10mks
4. a) Explain FIVE methods of trade restriction. 10mks
b) Highlight FIVE problems encountered when measuring the national income of a country. 10mks
5. a) Discuss FIVE roles played by commercial banks in facilitating home trade. 10mks
b) The following information relates to the business of Omondi for the week ended 30th May, 2004.
2004
May 25: Started business with shs.24,000
“ 26: Bought goods for shs. 18,000
“ 27: Cash sales shs. 18,900
“ 28: Paid for rent sh. 150 cash

“ 29: Received cash shs. 5625 from sales

“ 30: Paid commission shs. 900

Required:

- (i) Ledger accounts to record the transactions above.
 - (ii) Trial balance as at 30th May, 2004. 10mks
6. a) Outline FIVE reasons why a business would like to operate its own warehouse. 10mks
- b) The following Trial balance was extracted from the books of Likoni Traders on 31st December 2004.

Likoni Traders Trial balance as at 31st December, 2004

	Dr	Cr
	Shs	Shs
Purchases	70,000	
Capital		88,800
Returns inwards	1,500	
General expenses	5,200	
Cash in hand	2,500	
Return outwards		2,400
Bank Overdraft		7,500
Salaries	14,000	
Debtors	10,500	
Creditors		8,500
Fixed Assets	82,000	
Sales		<u>95,000</u>
Stock (1:04)	12,500	
Bad debts	<u>4,000</u>	
	202,200	202,200

Additional information

Closing stock was valued at shs. 6,500

Salary outstanding was shs. 2,800

Prepare

- i) Trading, profit and loss account for the period ended 31st December, 2004. 6mks
- Balance sheet
as at 31st
December
2004

TRIAL 9

565/1

BUSINESS STUDIES

1. Rain water and cloth are basic human wants. State three characteristics of rain water that makes it different from a cloth. (3mks)
2. Classify the following costs into either fixed or variable costs. (4mks)
 - a. Rent.....
 - b. Raw materials. .
 - c. Fuel consumed. .
 - d. Insurance property.
3. State four indicators of business threats (4mks)
4. Highlight on four factors that may bring about improved national income of our country Kenya. (4mks)
5. The table below shows the description and the category of inflation. Fill in blank spaces the category of inflation described. (4mks)

DESCRIPTION	CATEGORY
(i) Has no effect on the output, employment or income distribution	
(ii) A period of high inflation and high unemployment	
(iii) The government can prevent it by using deliberate measures.	
(iv) Prices increase at steady rate over time.	

6. Highlight four factors that may lead to low taxable income capacities in developing countries.

(4mks)

7. Describe four measures that one would take when the trial balance fails to balance.

(4mks)

8. Below is a table showing population totals in Kenya for the years 1969, 1979, 1989 and 1999 population census.

YEAR	1969	1979	1989	1999
Total population	10,942, 705	15,327,061	21 ,443,636	28,686,607
% growth rate		4.0	3.9	3.3

Give four reasons to account for the trend depicted above.

(4mks)

9. List four documents which are required to be filled with the registrar of companies to facilitate registration of limited liability companies.

(4mks)

10. State four reasons that may account for the existence of oligopoly markets. (4mks)

- 11 . Mention four benefits that consumers get from small-scale retailers. (4mks)

12. Under what three circumstances would a trader allow a customer to pay cash on delivery?

(3mks)

13. Outline four disadvantages of devaluating a country's currency. (4mks)

14. The balance sheet below relates to Prime enterprises as at 1st July 2007.

PRIME ENTERPRISES

BALANCE SHEET

AS AT 1/7/2007

Cash in hand	32,000	Capital	190,000
Stock	47,000	Bank overdraft	23,000
Buildings	143,000	2year loan	80,000
Debtors	26,000		
Land	150,000	Creditors	105, 000
	<u>398,000</u>		<u>398,000</u>

During the month of July the following transactions took place.

July 6 - Sold stock paid by cheque shs. 27,000

July 10 - Received cash shs. 18,000 from a debtor.

July 13 - Paid creditors cash shs. 95,000 from personal savings.

Required:

Prepare PRIME balance sheet as at 13-7-2007. (5mks)

15. Outline four circumstances under which a firm may be the sole supplier of a product in the market. (4mks)
16. List four ways in which public debts can be redeemed. (4mks)
17. (a) State the law of supply. (1mk)
(b) Highlight three circumstances under which a good may have inelastic demand despite price changes. (3mks)
18. Study the information below and answer the questions that follow.

ABC COMPANY LTD

NOTICE TO ALL MEMBERS

The meeting scheduled for 21/4/2008 has been postponed until further notice.

Managing Director

J K MWINAMO

- (a) What is the name of the document? (1mk)
(b) State any feature of the document that makes you give it the above name. (1mk)
(c) Give two advantages of using the above document. (2mks)
19. The following figures were extracted from Onyango's Trading account.
- | | |
|---------------|------------|
| Opening stock | sh. 37,000 |
| Mark-up | 25% |
| Purchases | 210,000 |
| Closing stock | 39,000 |
- Calculate:
- a) Sales (3mks)

b) Stock turn over. (2mks)

20. Highlight four factors to be considered when determining the most suitable business opportunity from a variety of business ideas.

(4mks)

21. Highlight four circumstances that make a country reluctant to join a trading bloc.

(4mks)

22. The following journals relate to Malingumu traders In the year 2006

Purchases journal

Date	Details	Amount
June 2	Kinga traders	72,000
June 7	Kima traders	23,000
June 11	Salome traders	31,000

Purchases Returns journal

Date	Details	Amount
June 9	Kima traders	11,000
June 15	Salome traders	6,000
June 18	Kinga traders	4,720

From the above journals prepare Kinga's creditors ledger account and balance it. (4mks)

23. The following are functions of some departments in an organization. In the spaces below write the name of the department whose function is given.

(4mks)

Function	Department
a) Processing payment	
b) Recruitment of workers	
c) Procuring of supplies	
d) Doing the overall management	

24. The following information was collected from the books of Namanga traders for the year ended 31st December 2006.

Debtors 31 st Dec 2006	42,300
Returns inwards	2,300
Bad debts written off	3,100
Discount allowed	4,600

Debtors Jan 1 st 2006	34,000
Cash sales	334,000
Dishonored cheque from debts	19,000
Discount disallowed	450
Receipts from debtors	198,000

Required: Determine the total sales for the year ended 31st Dec. 2006. (4mks)

25. State the document to be applied in each of the following statements. (4mks)

STATEMENT	DOCUMENT
(i) A request by a seller for advance payment	
(ii) Used to correct undercharge in an invoice	
(iii) To reply to specific Setter of inquiry	
(iv) To inform the buyer when goods were dispatched and by what means	

TRIAL 9

BUSINESS STUDIES PAPER 2

565 / 2

1. a) Artur is an importer of an assortment of goods from different countries.
Explain five benefits he may enjoy while his goods are stored in a bonded warehouse. 10mks
b) Explain five principles of taxation. 10mks
2. a) Explain five reasons to justify the use of economic barriers to control free trade. 10mks
b) Explain five emerging trends related to product promotion. 10mks
3. a) By use of a well labelled diagram, explain the case of a firm earning above normal profits in a perfectly competitive market structure. 8mks
b) Explain six demerits of inflation to a developing country. 12mks
4. a) Explain five ways in which the central bank of Kenya regulates the operations of banks in Kenya. 10mks
b) Explain five factors which are likely to influence the level of national income in Kenya. 10mks
5. a) Explain four challenges facing the transport industry in Kenya today. 8mks
b) Enter the following transactions in the purchases Journal of silver springs Agrovet and post to the ledger for the month of October 2004
October 1st : Purchased a stock of 100 bags of Maclick at sh. 1200 per bag on credit from Muraya Traders; Invoice no.100.
4th :Purchased on credit from Unga feeds 50 bags of bran animal feed at sh. 2000 per bag; Invoice no 115. A trade discount of 15% was allowed.
11th : Purchased 70 packets of Ridomil on credit from Alpha Ltd at sh. 300 per packet. A trade discount of 10% was allowed; Invoice no.169.

24th : Bought on credit 30 bags of layers marsh at sh. 4000 each from Chick point
at

a trade discount of 20%; Invoice no. 132.

12mks

6. a) The following trial balance was extracted from the books of Kitika traders as at 30/06/2005.

**KITIKA TRADERS
TRIAL BALANCE
AS AT 30/06/2005**

	DR (SHS)	CR(SHS)
Sales		900,000
Purchases	600,000	
Return inwards	80,000	
Return outwards		20,000
Carriage inwards	40,000	
Carriage outwards	3,000	
Stock (1 st July, 2004)	100,000	
Rent	60,000	
Delivery van	180,000	
Bank	60,000	
Creditors		170,000
Debtors	120,000	
Discount allowed	18,000	
General expenses	7,000	
capital		178,000
	1,268,000	1,268,000

Additional information

(i) Stock on 30/06/05 was valued at shs 135,000

(ii) Outstanding Rent shs 7000

Required

Prepare the profit and loss account for the year ended 30/06/2005 and the balance sheet

12mks

- b) Perth a management consultancy firm has advised Ponda Mali Company Ltd. to adopt a comprehensive code of conduct. Explain four significances of this on Ponda Mali Company Ltd. 8mks

TRIAL 10

BUSINESS STUDIES

565/1

1. **State four** types of business activities. (4mks)

- (a)
- (b)
- (c)
- (d)

2. **Name four** differences between an invoice and a pro-forma invoice (4mks)

PROFORMA INVOICE	INVOICE
(a)	
(b)	
(c)	
(d)	

3. **State four** roles of technology in a business. (4mks)
4. **Outline four** circumstances that may lead to the dissolution of a company. (4mks)
5. Given the following information, open accounts in the ledger books of Wairegi Traders

(4mks)

- (a) On 1st Jan. 2006, started a business with shs. 20,000 in the bank
- (b) Wairegi took four thousand shilling from the bank for paying school fees for his son on Jan. 10th 2006

6. **Define** the following terms,

(a) Globalization

(2mks)

(b) Consumer protection (2mks)

7. **Identify four** internal economies of scale enjoyed by a business. (4mks)

8. **State four** causes of monopoly powers in a firm. (4mks)

9. The following are terms used in trade; Loco price, F.O.R, Franco ,F.O.B. **Match** each term with the appropriate description.

(4mks)

Description	Term
(a) Price quoted covers the goods as they Are in the sellers premises	
(b) Price quoted covers goods up to when they are in the ship	
(c) Price quoted covers cost of goods and any other expenses up to the buyers premises	
(d) Price quoted covers goods until they are loaded on rail	

10. **State four characteristics of fixed deposit** accounts.

(4mks)

11. From the following information of Otieno, **prepare** trading profit and loss account for the year ended 31stDec 2006. (4mks)

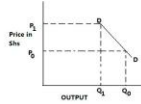
Sales	1,200,000
Cost of sales	800,000
Electricity	200,000
Rent	10,000
Motor car expenses	16,000

12. **Outline four** causes of cost-push inflation. (4mks)

13. Containerization has become popular in Kenya. **List four** reasons why a businessman may not use it. (4mks)

14. Use the following diagram to calculate the price elasticity of demand. (4mks)

Where price increases from p_0 to p_1



Assuming that $P_1 = 100$ shs., $P_0 = \text{shs.}50$, $Q_1 = 150$ units, $Q_0 = 200$ units

15. **Outline four** forms of unethical practices in product promotion. (4mks)

16. Mr Oketch started a business six months ago. He started experiencing problems in the seventh month and gradually closed it down. **Outline four** possible reasons why the new business failed. (4mks)

17. **Outline four** roles of intermediaries in the chain of distribution. (4mks)

18. **State four** problems encountered in development planning at the implementation stage. (4mks)

19. **State four** factors that insurance companies consider when determining premiums to be charged. (4mks)

20. Jane purchased ten hens at kshs. 150 each, and sold them at kshs. 1 75 per hen.

Calculate:

(a) Margin percentage (2mks)

(b) Mark-up percentage (2mks)

21. **State four** advantages of using office equipment over manual labour. (4mks)

22. In the blanks provided, name the sources documents required to prepare the mentioned books of original entry. (4mks)

Books of original entry	Source document
-------------------------	-----------------

(a) Cash book	
(b) Pettycash	
(c) Purchases journal	
(d) sales journal	

23. **Outline four** benefits that a growing economy can get from entrepreneurship.

(4mks)

24. **Define** the following lines of communication.

(a) Vertical communication

(1mk)

(b) Horizontal communication

(1mk)

(c) Formal communication

(1mk)

(d) Informal communication

(1mk)

25. A country wishes to know the structure of its population. **Give four** reasons for this

TRIAL 10

BUSINESS STUDIES PAPER 2

565/2

1. a) Discuss **five** importances of entrepreneurship to an economy
(10mks)
 b) Explain **five** measures that the government may take to curb inflation.
(10mks)

2. a) Discuss **five** problems linked to rapid population growth.
(10mks)
 b) Explain **five** factors that may hinder economic development.
(10mks)

3. a) Explain the differences between non-banking financial institutions and commercial
banks.
(10mks)
 b) Discuss **five** circumstances under which an insurance company would not compensate
the insured in the event of loss.
(10mks)

4. a) Highlight **five** situations where demand may increase with increase in commodity
price.
(10mks)
 b) Give **five** reasons for differences in terms of trade between countries.
(10mks)

5. a) Explain **five** benefits of localization of industries.
(10mks)

b) Explain **five** reasons why consumers need protection against malpractices by some traders.

(10mks)

6. a) Explain **five** ways in which the government can influence the price of a commodity.

(10mks)

b) Oriabengi shop sells all its goods at a margin of 20%. For the year ended 30th April 2006, its trading activities were as follows:

Purchases	800,000
Sales	950,000
Net profit 5% of sales	
Closing Stock	200,000

Calculate:-

- (a) The gross profit
- (b) Opening stock
- (c) Mark-up percentage
- (d) Net profit

(10mks)