

Name \_\_\_\_\_ Index No: \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

**565/1  
BUSINESS STUDIES  
JULY/AUGUST 2010  
PAPER 1  
2 HOURS**

**FORM FOUR MID-YEAR CONTINUOUS ASSESSMENT TEST  
Kenya Certificate of Secondary Education  
BUSINESS STUDIES  
PAPER 1  
2 HOURS**

**INSTRUCTION TO CANDIDATES**

- a) Write your name and index number in the spaces provided above
- b) Sign and write your date of examination in the spaces provided above
- c) Answer all the questions
- d) All answers must be written in the spaces provided in this booklet
- e) Do not remove any pages from this booklet
- f) This paper consists of 8 printed pages
- g) Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

For Examiners use only.

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													
Question	14	15	16	17	18	19	20	21	22	23	24	25	
Marks													

*This paper consist of 8 printed pages*

*Please Turn Over*

1. Highlight four characteristics of free resources (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

2. Give four features of incorporated business organizations (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

3. Give four emerging developments in the banking industry (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

4. For each of the following transactions, indicate with a tick (✓) whether it will increase, decrease or have no effect on the balance sheet totals (4mks)

Transaction	Effect on the balance total		
	Increase	Decrease	No effect
(i) Borrowing sh 20,000 from bank for paying creditors			
(ii) Used sh 10,000 cash pay for loan arrears			
(iii) Sale of part of business premises			
(iv) Sale of goods worth sh 5,000 for sh 4,500			

5. State any four causes of balance of payment deficit (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

6. For each of the following statements, state whether it's true or false as regards circular flow of income in a four sector closed economy.

(i) Firms and households do not pay tax to the government \_\_\_\_\_

(ii) Households save part of their income in banks and other institutions \_\_\_\_\_

(iii) Firms receive payments from exports abroad \_\_\_\_\_

(iv) Business firms revert to commercial banks to raise capital \_\_\_\_\_

(4mks)

7. List four properties of a well drawn cheque

(4mks)

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

d) \_\_\_\_\_

8. State four disadvantages of localization to a developing country

(4mks)

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

d) \_\_\_\_\_

9. The following information relates to Kivai Traders

Purchases sh 2,700,000

Return outwards sh 600,000

Closing stock sh 500,000

Opening stock sh 1,200,000

Margin  $\frac{2}{9}$

Calculate (i) Cost of sales

(2mks)

(ii) Gross profit

(2mks)

10. State four advantages of self employment (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

11. State four characteristics of subsistence production in Kenya (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

12. Match the following statements with the correct description of the aspect as regards population (4mks)

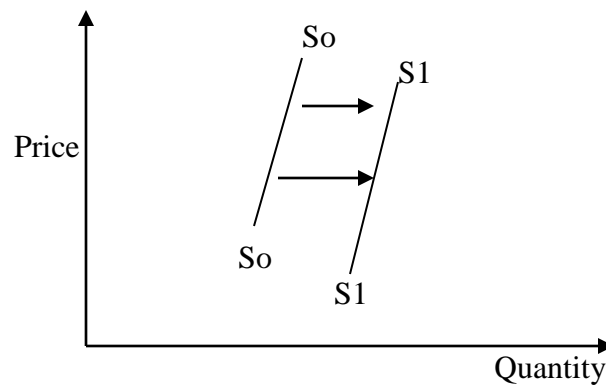
- |   |                      |
|---|----------------------|
| (i) Population that is adequate for full utilization of available resources | Young population     |
| (ii) Situation of insufficient labour compared to other factors             | Declining population |
| (iii) Population where majority are above 55 years                          | Optimum population   |
| (iv) Higher death rate than birth rate cause population to decrease         | Ageing population    |
|   | Under population     |

13. On 31<sup>st</sup> December 2006, Boresha had paid rent in advance of sh 25 000. On 31<sup>st</sup> December 2007 the rent prepaid was sh 34,000 while accrued rates amounted to sh 10,000. During the year 2007, rent paid amounted to sh 110,000. Prepare the rent and rates account for the year (4mks)

14. Outline four advantages of a business using E-mail in communication (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

15. The diagram below shows the supply curve of maize in the last two seasons. Give the attributes causing the shift (4mks)



- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

16. Outline four economic conditions that would prevail in a country undergoing inflation (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

17. With Kenya targeting Millenium Development Goals and Vision 2030, planning has become key component in their realization. Outline four qualities of a good development plan (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

18. Indicate in the spaces provided whether the following taxes are either direct taxes or indirect taxes. (4mks)

Tax	Types of tax
Corporation tax	_____
Capital gain tax	_____
Value added tax	_____

Income tax \_\_\_\_\_

19. Piracy along Somali coastline continue to hurt seaborne trade and transport. Give four adverse effects of the above trend. (4mks)

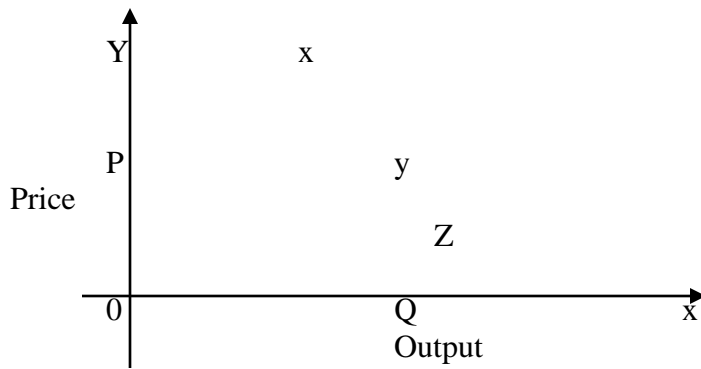
- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

20. The following balances were obtained from the books of Jansen Traders on 30. 06. 2010

	shs
Plant and Machinery	1,400,000
Turnover	1,540,000
Interest on loan	200,000
Prepaid rent	70,000
Accrued salaries	353,340
Furniture and fixtures	500,200
Gross profit	427,260
Repairs on motor vehicle	150,000

Prepare trial balance of Jansen traders for the month ended 30.6.2010 (4mks)

21. The following is a demand curve XYZ of a firm



(a) State the elasticity of demand portrayed by the two portions of the demand curve

XY: \_\_\_\_\_

YZ: \_\_\_\_\_

(2mks)

(b) What is the name given to point y

(1mk)

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(c) Identify the market structure depicted

(1mk)

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22. Mutune is the owner of Jambo enterprises worth 2 million, insurance cover worth 1.5 million has been placed on the property. If the property was damaged to the tune of sh 300,000. Determine how much will Mutune get from insurance as compensation and reason.

(4mks)

23. The following features relate to warehousing. Indicate the most suitable type of warehouse described.

- (i) Used to store locally produced goods until excise duty is paid \_\_\_\_\_
- (ii) Mostly situated in entry points and are available at a fee \_\_\_\_\_
- (iii) Warehouse used to store non-dutiable goods originating from within or outside the Country \_\_\_\_\_
- (iv) Warehouse can be designed to suit one's particular needs \_\_\_\_\_

(4mks)

24. Indicate in the spaces provided, the account to be debited and account to be credited (4mks)

Transaction	Account Debited	Account Credited
(a) Started business by depositing sh 80,000 in the bank account of the business		
(b) Bought stock of goods worth sh 20,000 from XYZ retailers on credit.		
(c) Returned goods worth sh 4,000 to XYZ retailers		
(d) Paid XYZ retailers' sh 15,000 cheque		

25. The recent disaster of death in both aquatic and marine life at Lake Naivasha could have been avoided. Suggest four ways of averting such in future. (4mks)

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_