

Name.....

Index No...../.....

School.....

Date .....

Candidate's Signature.....

565/1  
BUSINESS STUDIES  
Paper 1  
July / August, 2012  
Time: 2 Hours

**LOITOKITOK DISTRICT JOINT EVALUATION TEST - 2012**

*Kenya Certificate of Secondary Education (K.C.S.E)*

565/1  
BUSINESS STUDIES  
Paper 1  
July / August, 2012  
Time: 2 Hours

**INSTRUCTION**

- Answer all questions in the spaces provided.

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

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

Total Marks

*This paper consists of 12 printed pages. Candidates should check the question paper to ascertain that all pages are Printed as indicated and that no question is missing*

1. Outline four ways in which indirect production will benefit the producer (4mks)

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2. Highlight any four features that distinguish a private limited company from a public corporation (4mks)

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3. Give four benefits of expanding a business (4mks)

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4. Identify three items that constitute injections in the circular flow of income (3mks)

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5. In the spaces provided below, state the principle of insurance to which each of the following statements relates (4mks)

Statement	Principle
(a) There is a close connection between causes of loss and actual risk for compensation to be affected	
(b) A person can only insure such properties whose destruction would result in financial loss to him/her.	
(c) Compensation is paid only upto the amount of real loss.	
(d) The insures stakes over the residual of the property insured after compensation	

6. Outline four reasons why planning is essential to a business organisation (4mks)

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7. Identify four essentials of an effective filing system (4mks)

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8. The following balance sheet relates to Mwangi's traders

Mwangi Traders

Balance sheet

As at 1<sup>st</sup> Jan 20-6

Shs		Sh	
Land and building	120,000	Capital	140,000
Debtors	50,000	Creditors	25,000
Cash	40,000	Bank overdraft	45,000
	210,000		210,000

The following transactions took place during the month of January

- i. Paid creditors shs 10000 in cash
- ii. Received cash shs. 38,000 from debtors
- iii. Bought office equipment for shs 32,000 in cash

Prepare Mwangi traders balance sheet as at the end of January (4mks)

9. Highlight four disadvantages of an ageing population (4mks)

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10. Give five reasons for using travellers cheque as a means of payment (5mks)

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11. List four functions of produces co-operative societies (4mks)

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12. Outline four reasons why the government trains business people (4mks)

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13. Give four reasons that may lead to a decline in supply of maize in Loitokitok district (4mks)

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14. The following information related to Njoka Enterprises for the period ended 30<sup>th</sup> June 2011.

	Shs.
Turnover	270,000
Margin	40%
Rate of stock turn	6 times
Expenses	40,000

Calculate

- (i) Gross profit (1mk)
  
  
  
  
  
  
  
  
  
  
- (ii) Cost of sales (1mk)
  
  
  
  
  
  
  
  
  
  
- (iii) Net profit (1mk)
  
  
  
  
  
  
  
  
  
  
- (iv) Average stock (1mk)

15. List four disadvantages of face to face communication (4mks)

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16. Highlight four reasons delocalization of industries is necessary (4mks)

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17. For each of the following transactions, state the account to be debited and the account to be credited.

Unfinished

18. Give four reasons that may limit the growth of a country's national income (4mks)

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19. Give four disadvantages of a long chain of distribution of goods to a buyer (4mks)

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20. Outline four factors that may limit the number of entrepreneurs in an area (4mks)

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21. List four sources of documents (4mks)

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22. Highlight four reasons why firms with popular products find it necessary to continuously advertise the same popular product. (4mks)

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23. List four sources of public finance. (4mks)

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24. Give four negative consequences of inflation. (4mks)

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25. Highlight four effects HIV and AIDS to a business. (4mks)

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