

Name ..... Index No. ....

School: .....

565/1  
BUSINESS STUDIES  
Paper 1  
July / August 2010  
2 Hours

**BORABU-MASABA NORTH DISTRICTS JOINT EVALUATION TEST-2010**  
**Kenya Certificate of Secondary Education (K.C.S.E)**

BUSINESS STUDIES  
Paper 1  
July / August 2010  
2 Hours

**INSTRUCTIONS TO CANDIDATES:**

- Answer ALL the questions in the spaces provided.

Q	1	2	3	4	5	6	7	8	9	10	11	12	13
M													

Q	14	15	16	17	18	19	20	21	22	23	24	25
M												

*This paper consists of 8 printed pages*  
*Candidates should check the question paper to ensure that all the printed pages are printed as indicated and no questions are missing.*

1. Outline four objectives of studying business studies in schools (4 marks)
  - a).....
  - b) .....
  - c) .....
  - d) .....
  
2. State four factors to be considered when evaluating a business opportunity (4 marks)
  - a).....
  - b) .....
  - c) .....
  - d) .....
  
3. Aruasa superstores lowered the price of one of its products with an intention of promoting sales. However demand for the product did not increase proportionately to the change in price. Give four possible reasons for what happened (4 marks)
  - a).....
  - b) .....
  - c) .....
  - d) .....
  
- 4 Highlight four limitations of modern technology to a growing economy like Kenya (4 marks)
  - a).....
  - b) .....
  - c) .....
  - d) .....
  
- 5 Give four factors Mogusii a retailer should consider before extending credit to her customers (4 marks)
  - a).....
  - b) .....
  - c) .....
  - d) .....
  
6. Diana, Peter and James have been running a business as a partnership without a written agreement. Advice them on the following matters as per the partnership Act (4 marks)
  - a) Profit and loss sharing .....
  - .....
  - b) Salary to partners .....
  - .....

- c) Loans given to the business by the partner .....
- .....
- d) Admission of a new partner .....
- .....

7 State four Acts of parliament used by the government to protect consumers from scrupulous traders (4 marks)

- a).....
- b) .....
- c) .....
- d) .....

8. For each of the following transactions state the account to be debited and the account to be credited (4 marks)

Transaction	Account to be debited	Account to be credited
a) Took goods worth sh 10,000 for own use		
b) Returned goods worth sh 2,000 to a supplier		
c) Used business cash to pay school fees		
d) Sold goods on credit		

9. The table below shows the total costs of a certain product at given output levels (4 marks)

Output (Units)	0	10	20	30	40	50	60	70	80
Total costs sh	500	880	920	1020	1200	1320	1440	1620	1700

At output of 60 units,determine

- a) Average fixed costs
- b) Average variable costs
- c) Average total cost
- d) Marginal costs

10. Highlight four reasons why a produce of goods may use intermediaries to distribute his goods (4 marks)

- a).....
- b) .....
- c) .....
- d) .....

11. Give four characteristics of money (4 marks)
- a).....
- b) .....
- c) .....
- d) .....

12. State whether each of the following transactions increased, decreased or had no effect on the balance sheet totals (4 marks)

Transactions	Effect on balance sheet totals
a) Bought office equipment in cash	
b) Paid a creditor by cheque	
c) Used business cash to pay dowry	
d) Converted private room for business use	

13. State four structural changes that may take place in a country experiencing economic development (4 marks)
- a).....
- b) .....
- c) .....
- d) .....

14. Highlight four uses of proper Journal/General journal (4 marks)
- a).....
- b) .....
- c) .....
- d) .....

15. Outline four ways how a budget is used as a tool of planning (4 marks)
- a).....
- b) .....
- c) .....
- d) .....

16. The following information was obtained from the records of mokaya as at 31-12-2008 (4 marks)

Motor vehicle	90,000
Prepaid insurance	20,000
Bank loan	40,000
Accrued wages	6,000

Accrued rent	5,000
Plant and machinery	60,000
Creditors	30,000

Prepare Mokaya's balance sheet as at 31<sup>st</sup> December 2008

17. Give four uses of a bonded warehouse to the government (4 marks)

- a).....
- b) .....
- c) .....
- d) .....

18. Post the following transactions in the ledger (5 marks)

2009

- April 1 Started a business with cash at Bank sh 80,000
- 3 Paid Makore a creditor sh 20,000 by cheque after deducting 5% cash discount
- 4 Receive sh 40,000 by cheque from Moraa less 10% cash discount

19. State four factors an organization will consider when deciding the type an office layout to adopt (4 marks)

- a).....
- b) .....
- c) .....
- d) .....

20. The following information was extracted from original invoices of WasiWasi Traders  
2009

Jan 1 Received invoice from wawili traders for sh 10,000, Jane sh 8,000, Amani sh 20,000  
5 Received invoice from Maracha sh5,000, Kamau sh 8,000, Rotich sh 12,000, Makau  
Sh 5,000, & Onyango sh 3,000.

Enter the above transactions in the appropriate book of original entry (4 marks)

21. State four negative effects of inflation the Kenyan economy (4 marks)

- a).....
- b) .....
- c) .....
- d) .....

22. State four reasons why people make choices every time they want to satisfy their wants (3 marks)

- a).....
- b) .....
- c) .....

23. The following information was extracted from the books of Sungura traders for the year ended 30<sup>th</sup> June 2009

- Rate of stock turnover 3 times
- Margin 20%
- Expenses 10% of sales
- Opening stock sh 90,000
- Closing stock sh 150,000
- Capital sh 900,000

Calculate

- a) Gross profit (1 mark)
  - b) Purchases (1 mark)
  - c) Sales (1 mark)
  - d) Rate of return on capital (1 mark)
- 24 Give four differences between direct and indirect production (4 marks)

Direct production	Indirect production
a)	a)
b)	b)
c)	c)
d)	d)

25. List four errors which may make the trial balance fail to balance (4 marks)
- a).....
  - b).....
  - c).....
  - d).....

