

NAME.INDEX NO.....

SCHOOL.

565/1
BUSINESS STUDIES
PAPER 1
July/August 2010
2 HOURS

KAKAMEGA NORTH DISTRICT JOINT EVALUATION TESTS
Kenya Certificate of Secondary Education (K.C.S.E) 2010

565 / 1
BUSINESS STUDIES
PAPER 1

INSTRUCTIONS TO CANDIDATES

❖ *Answer all questions in the spaces provided*

For Examiner's Use Only

| | | | | | | | | | | | | | | | |
|----------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
| Question | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
| Marks | | | | | | | | | | | | | | | |

| | | | | | | | | | |
|----------|----|----|----|----|----|----|----|----|----|
| Question | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 |
| Marks | | | | | | | | | |

This paper consists of 11 printed pages. Candidates should check the question paper to ensure that all the pages are printed as indicated and no questions are missing.

1. **Highlight** four factors that are causing many firms to collapse (4mks)

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

2. **Distinguish in four ways** the Jua kali sector from the manufacturing sector (4mks)

Jua kali

Manufacturing sector

- | | |
|----------|-------|
| a) | |
| | |
| | |
| b) | |
| | |
| | |
| c) | |
| | |
| | |
| d) | |
| | |
| | |

3. **Highlight in four** reasons why the government is involved in business activities.(4mks)

- a)
-
-

b)

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c)

.....

.....

d)

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4. **State four** disadvantages of using cheques as a means of payment (4mks)

a)

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b)

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c)

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d)

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5. Prepare a corrected balance sheet from the following (4mks)

TOM TRADERS
BALANCE SHEET
AS AT 30.6.2010

| | | | | | | | | | | | | | | | | | | | | | |
|---|----------------|---------|-------|--------|---------|--------|-------------------|--------|--|----------------|--|----------------|--------|--------------|--------|-----------|---------|--------------|--------|--|----------------|
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px 2px 10px;">Capital</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">109,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">Stock</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">33,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">Debtors</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">56,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">4yr Barclays loan</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">42,500</td> </tr> <tr> <td></td> <td style="text-align: right; padding: 2px 10px 2px 10px;"><u>240,500</u></td> </tr> </table> | Capital | 109,000 | Stock | 33,000 | Debtors | 56,000 | 4yr Barclays loan | 42,500 | | <u>240,500</u> | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px 10px 2px 10px;">Bank Overdraft</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">25,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">Accrued rent</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">64,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">Computers</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">134,000</td> </tr> <tr> <td style="padding: 2px 10px 2px 10px;">Cash at hand</td> <td style="text-align: right; padding: 2px 10px 2px 10px;">17,500</td> </tr> <tr> <td></td> <td style="text-align: right; padding: 2px 10px 2px 10px;"><u>240,500</u></td> </tr> </table> | Bank Overdraft | 25,000 | Accrued rent | 64,000 | Computers | 134,000 | Cash at hand | 17,500 | | <u>240,500</u> |
| Capital | 109,000 | | | | | | | | | | | | | | | | | | | | |
| Stock | 33,000 | | | | | | | | | | | | | | | | | | | | |
| Debtors | 56,000 | | | | | | | | | | | | | | | | | | | | |
| 4yr Barclays loan | 42,500 | | | | | | | | | | | | | | | | | | | | |
| | <u>240,500</u> | | | | | | | | | | | | | | | | | | | | |
| Bank Overdraft | 25,000 | | | | | | | | | | | | | | | | | | | | |
| Accrued rent | 64,000 | | | | | | | | | | | | | | | | | | | | |
| Computers | 134,000 | | | | | | | | | | | | | | | | | | | | |
| Cash at hand | 17,500 | | | | | | | | | | | | | | | | | | | | |
| | <u>240,500</u> | | | | | | | | | | | | | | | | | | | | |

6. On 1st June 2000, Imara stores had cash in hand Sh. 60,000 and at bank Sh. 220,000. Debtors and creditors were sh. 50,000 and sh. 80,000 respectively. The following transactions took place during the month 2010.

- June 1 received a cheque for Shs. 25,000 from a debtor.
- 10 Drew a cheque for Shs. 55,000 in respect of creditors
- 15 Deposited all cash except Shs. 5,000 with the bank.

Post the above transactions into respective ledger accounts and balance them off.
(5mks)

7. **State four** reasons for the popularity of motor cycles as a means of transport. (4mks)

- a)
-
-

b)

c)

d)

8. **State four** reasons for the use of journals and magazines in product promotion.(4mks)

a)

b)

c)

d)

9. Mr. Muriuki a newly employed teacher intends to join a Mwalimu Sacco. **Outline four** benefits to expect. (4mks)

a)

b)

c)

d)
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.....

10. **Highlight four** reasons that have promoted Kenya to be an active member of regional trade bloc's such as Comesa. (4mks)

a)
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b)
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c)
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d)
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11. The following information was extracted from the books of Misikhu traders

| | |
|------------------|--------------|
| Rate of Turnover | 3 times |
| Mark up | 20% |
| Opening stock | Shs. 90,000 |
| Closing stock | Shs. 150,000 |

Calculate

(a) Gross profit

(b) Purchases

(c) Sales (3mks)

12. **Highlight four** factors to be considered in determining the sum insured in the life insurance. (4mks)

- a)
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- b)
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- c)
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- d)
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13. **State in four** ways how the mobile phone services are important in promoting business activities. (4mks)

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

14. **Distinguish in four** ways direct taxation from indirect taxation. (4mks)

| | Direct taxes | Indirect taxes |
|----|---------------------|-----------------------|
| a) | | |

b)
.....

c)
.....

d)
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15. **State four** recent trends in provision of banking services. (4mks)

a)
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b)
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c)
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d)
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16. **Highlight four** disadvantages of a monopoly (4mks)

a)
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b)
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c)
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d)
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16. **State four** factors that limit the size of the firm. (4mks)

a)
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b)
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c)
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d)
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17. The price of coffee is Sh. 50 per unit while the demand for tea is 10 units at its own price. When the price of coffee increases from Sh. 50 to Shs. 60, the demand for tea increases from 10 units to 20 units. **Calculate** the cross elasticity. (4mks)

18. **Highlight four** reasons why many African countries fail to achieve high economic growth rates (4mks)

a)
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b)
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c)
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d)
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19. **State four** activities that may trigger inflation in a country. (4mks)

a)
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b)
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c)
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d)
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20. **Highlight four** disadvantages of a public company. (4mks)

a)
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b)
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c)
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d)
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21. **State four** reasons for privatization of state corporations. (4mks)

a)

b)

c)

d)

22. **Indicate** the effect of each of the following transactions on an assets, liabilities and capital putting (+) for an increase and (-) for a decrease and (NC) for no change.

(4mks)

| | Asset | Liabilities | Capital |
|---|-------|-------------|---------|
| (i) Cash withdrawn from bank Sh. 20,000 for office use | | | |
| (ii) The owner introduced Sh. 50,000 into the business from personal resource | | | |

23. **Highlight four** negative impacts of production activities on the environment. (4mks)

a)

b)

c)
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d)
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24. **State four** measures a country can adopt to control imports. (4mks)

a)
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b)
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c)
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d)
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