

NAME: _____ ADM. NO: _____

SCHOOL: _____ STREAM: _____

BUNYORE MARANDA JOINT EXAMS

565/1

BUSINESS STUDIES

PAPER 1

TIME: 24 HOURS

Answer all the question in the spaces provided

1. State TWO differences between economic and non-economic goods gives examples of each (4marks)
2. Outline THREE reasons why cash payment is preferred to cheque payment (3marks)
3. Listed in the table below are various forms of production. For each form of production, indicate using a tick \checkmark the correct classification in the appropriate column.

Form of production	Primary	Secondary	Tertiary
i) Transportation			
ii) Farming			
iii) Retailing			
iv) Lumbering			
v) House building			

4. Outline FOUR advantages of using a franking machine in an organization. (4marks)
5. Identify the type of error made in recording each of the following transaction

TRANSACTIONS (4marks)

- i) The amount in an invoice for goods purchased was recorded in the booklet as 5,000 instead of 5,500
 - ii) Purchase of office equipment was debited in the purchase account
 - iii) Despite agreement of the trial balance sales and purchases had been overstated by 3,000 each made in
 - iv) A debtor for shs 200 settled his account in cash less 10% discount. The consequent double entry made in the books was in respect of cash received only
6. Mali Mingi enterprises has sub-divided its ledger into the following subsidiary books
- i) General ledger
 - ii) Nominal ledger
 - iii) Purchase ledger
 - iv) Sales Ledger
 - v) Cash Book

Indicate the subsidiary ledger in which each of the following should be recorded. (3marks)

Account	Subsidiary ledger
(i) Return inwards	_____
(ii) Discount received	_____
(iii) Drawings	_____
(iv) Juma traders (a debtor)	_____
(v) Uchumi wholesalers (a supplier)	_____
(vi) Bank	_____

7. In the spaces provided state the source document for each of the subsidiary books given below. (4mks)

Subsidiary book	Source document
Sales journal	_____
Purchase journal	_____
Return inwards journal	_____
Return outward journal	_____

8. Indicate the effect of each of the following transactions on assets, liabilities and capital by putting (+) for an increase and a minus (-) for a decrease. (4marks)

Transaction	Assets	Liabilities	Capital
i) Cash withdrawal from bank Shs 20,000 for personal use	_____	_____	_____
ii) Bought furniture worth shs. 82,000 on credit from Tito Traders	_____	_____	_____
iii) Paid outstanding electricity Expenses shs. 9,000 cash	_____	_____	_____
iv) Converted a personal van valued @ Sh. 200,000 for business use.	_____	_____	_____

9. From the following prepare a THREE column cash book duly balanced (5marks)

2006

May 1	Balance brought forward Bank sh. 2,000 (Cr) cash sh. 1,000
May 5	Received sh 7,800 cash from Wafula after deduction of 21/2 cash discount
May 24	Paid wages of sh.800 by cheque

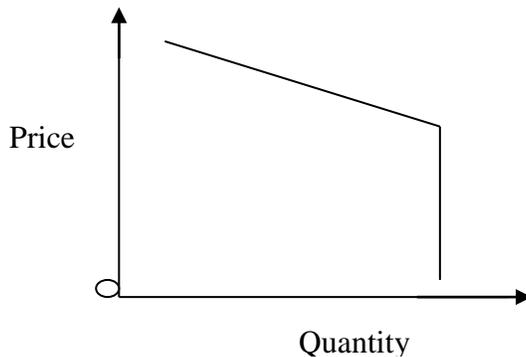
10. The information below relates to Yosef Retailers.

Stock at Jan 1, 2006	Sh.	
Stock at Dec 31 2006	40,000	
Purchases	60,000	
Margin	20%	
Prepare Yosef Retailers Trading for year ended 31 st Dec 2006		(4marks)

11. Give FOUR reasons why an entrepreneur needs to prepare a business plan. (4marks)
12. Outline FOUR circumstances under which a company may be dissolved (4marks)
13. Give FOUR reasons why a farmer would prefer to transport a herd of cattle by rail rather than by road (4marks)
14. State FOUR advantages of using the internet as a means of communication. (4marks)
15. Outline FOUR features of public warehouse (4marks)
16. The conditions given below are for a monopoly firm or a firm operating under perfect competition. Write the correct market structure against each of the condition in the spaces provided (4marks)

	Condition	Market structure
(a)	Market Structure determines price for the product	
(b)	There is free entry and exit	
(c)	Products are homogeneous	
(d)	Market structure regulates supply of the product	

17. The diagram below shows a demand curve for a firm operating in a given type of market structure.



- a) State the name which is given to such demand curve (1mark)
- b) Indicate on the diagram the possible price and quantity (2marks)
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- c) State the significant of the point 'a' (1mark)
- i) Suggested FOUR measures which the Kenya government can take to solve the unemployment problem. (4marks)
- ii) Highlight FOUR benefits that a trader who uses prize competition as a method of sales promotion may enjoy (4marks)

20. Highlights FOUR roles played by an enterprenuer in the production process (4marks)
- Name FOUR types of retailer that mainly sell on cash basis (4marks)
22. State FOUR factors why parastatal generally perform poorly in Kenya (4marks)
23. Outline FOUR functions of the central bank. (4marks)i
24. Give the meaning of the following as used in insurance.
- a) Insured
 - b) Premium
 - c) Surrender value
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- d) Cover note
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25. List FOUR factors that may limit the growth of a country's national income. (4marks)

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