

NAME

INDEX NO.....

565/1
BUSINESS STUDIES
PAPER 1
JUNE 2010
TIME: 2HRS

KASSU
JOINT EXAMINATIONS
BUSINESS STUDIES PAPER 1
JUNE 2010
TIME: 2HRS

1. Outline any four ways through which Business studies may be of benefit to a businessman. (4mks)
2. Distinguish between perfect competition and monopoly market structures (4mks)

Perfect Competition	Monopoly
i)	i)
ii)	ii)
iii)	iii)
iv)	iv)

3. From the information give below state whether the factor is the internal or external part of environment (4 mks)

Factor	Type of environment
i) Goodwill from customers	_____
ii) Political instability	_____
iii) Negative attitude towards a firm's	_____
iv) Poor marketing strategies	_____
v) Aggressive competition	_____

4. State any four circumstances under which a profoma invoice is used. (4mks)
5. State the effect of the following transactions on the Balance sheet totals. (4mks)

Transactions	Books of original
i) Shs. 20,000 withdrawn to purchase daughter's birthday gift.	_____
ii) Repayment of part of loan owed to K.C.B	_____
iii) Banking of the days cash sales	_____
iv) Goods were returned by debtors	_____

6. Highlight four measures that a country experiencing a balance of payments deficit may take to correct this problem.

7. Highlight any four characteristics on an efficient transport system.
8. Identify the respective books of original entry in which the following transaction will be recorded (4mks)

Transactions	Type of errors
i) The amount in an invoice for goods purchased	_____
ii) Sale of land on credit	_____
iii) Transactions of incoming credit notes	_____
iv) Transactions of incoming credit notes	_____

9. Identify the type of errors made in recording each of the following transactions (4mks)

Transactions	Type of errors
i) The amount in an invoice for goods purchased was recorded in the books as Kshs. 6,000 instead of shs. 6600	_____
ii) Purchase of office equipment was debited to the purchases.	_____
iii) Despite agreement of the trial balance sales and purchases had been understated by sh. 4000 in each case	_____
iv) A debtor paid his account of shs. 2000 cash. Double entry was made in respect to cash received only	_____

10. State four features of direct production (4mks)

11. Outline four circumstances under which partnerships are likely to be dissolved. (4mks)

12. Outline four limitations of using mobile phones in communicating (4mks)

13. Highlight four negative impacts of advertising alcohol on the Television to the youth in Kenya.

14. Prepare the total balance of Sumukwo Traders as at 30th June 2009 from the following account Balances. (4 mks)

	Kshs.
Capital	800,000
Land and building	909,100
Purchases	500,000
Sales	600,000
Discount allowed	1,000
Carriage inwards	200
Bank overdraft	3,000
Returns outwards	400
Commission received	1,200
Salary due	700

15. Outline four circumstances under which the consumer can buy directly from the producer (4mks)

16. From the following account balances of Ocampo Traders, prepare the trading account for the period ending 31st January 2010. (4mks)

	Kshs.
Stock (1.1.2010)	5,000
Stock (31.1.2010)	4,000
Sales	60,000
Purchases	50,000
Returns inwards	10,000
Carriage inwards	1,400
Drawings of goods	2,000
General expenses	750.

17. State four demerits of indirect taxes. (4mks)
18. Mention four duties of an accountant in an organization. (4mks)
19. The Kenya Government may sometimes find it necessary to nationalize some firms. Give four reasons for this. (4mks)
20. Mention four ways in which consumers can benefit from the services of warehouse. (4mks)
21. Given a rise in the price of petrol from Kshs. 70 litre to Kshs. 90 per litre, the demand for motor vehicles changed from 2300 to 1500 per month in town x. (3mks)
 - a) Calculate the X elasticity of demand for motor vehicles. (3mks)
 - b) Comment on the elasticity in(a) above. (1mk)
22. Outline four reasons why the income approach may not be reliable in measuring national income. (4mks)
23. Fill the spaces W, X, Y, Z in the table given below. (4mks)

Output (Units)	Fixed Cost	Variable cost	Total cost	Average Cost	Marginal Cost
500	1800	5500	7300	14.60	W
501	1800	5750	7550	X	250
502	1800	6100	7900	15.4	Y
503	1800	Z	8350	16.60	450

24. Statistics indicate that the consumer price index during November, 2007 was 100%, while one year later it was an average of 151%. Mention four possible negative effects of such trend on the economy. (4mks)
25. Outline four measures through which the Central Bank of Kenya can discourage the increasing circulation of money in the economy. (4mks)