

Name _____ Index Number _____

Candidate's signature _____

Date _____

565/1
BUSINESS STUDIES
PPAER 1
JULY / AUGUST 2011
2 HOURS

FORM 4 MID YEAR ASSESSMENT TEST
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 1
2 HOURS

INSTRUCTIONS

Answer all questions in the spaces provided

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

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

Total marks 100%	
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This paper consists of 7 printed pages

Turn Over

1. State four disadvantages of using cheques to make payments (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
2. List any four types of books of original entry (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
3. State four ways that may be used to control the amount of money in circulation by the central bank of Kenya (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
4. Highlight four factors that must be considered before incurring public expenditure (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
5. State the various types of market structures (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
6. Kenya is currently gripped from constant rise in price of petroleum advise the government on the alternative sources of energy (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
7. Outline four reasons why the government of Kenya is encouraging the development of micro-business enterprises (4mks)
 - (a) _____
 - (b) _____
 - (c) _____
 - (d) _____

8. The rate of inflation in Kenya currently stands at 6.5%. pin point some of the causes of inflation (4mks)
- (a) _____
- (b) _____
- (c) _____
- (d) _____

9. State four negative effects of the current alcohol control act popularly known as the 'Mututho law' in the country (4mks)
- (a) _____
- (b) _____
- (c) _____
- (d) _____

10. The following information was extracted from the books of Saachi traders as at 31/1/2011

Stock (31.1.2011)	127,000
General expenses	100,500
Commission income	75,000
Discount allowed	45,000
Carriage inwards	17,500
Accrued rent	15,000
Sales	200,000

Required: A trial balance as at 31/1/2011 (4mks)

11. Differentiate between liners and tramps (4mks)
- | Liners | Tramps |
|-----------|-----------|
| (a) _____ | (a) _____ |
| (b) _____ | (b) _____ |
| (c) _____ | (c) _____ |
| (d) _____ | (d) _____ |

12. State the advantages of a bonded warehouse (4mks)
- (a) _____
- (b) _____
- (c) _____
- (d) _____

13. Highlight four circumstances under which a life assurance policy might come to an end (4mks)
- (a) _____
- (b) _____
- (c) _____
- (d) _____

14. Outline four circumstances under which a firm can use competitive advertising (4mks)
- (a) _____
- (b) _____
- (c) _____
- (d) _____

15. Indicate the effects of each of the following business transactions on assets, liabilities and capital by putting (+) for increase and (-) for decrease in value

Transaction	Assests	Liabilities	Capital
(a) Withdrew money from bank for personal use			
(b) Bought a car valued at ksh 300,000 for the business			
(c) Paid outstanding salaries ksh 60,000 by cheque			
(d) Bought a computer worth ksh 45,000 on credit from Mayai traders			

16. In each of the following cases, state the type of unemployment described (4mks)
- (a) People losing work due to lack of factor mobility _____
 - (b) Several people doing work that could be done by only one person _____
 - (c) People remaining unemployed at certain times of the year _____
 - (d) Workers placing themselves out of employment _____
17. Outline four reasons why direct production is common in Kenya (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
18. Outline the roles played by licensing as a government regulatory tool (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
19. State any four factors that can contribute to the success of business in a certain area (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
20. State the reasons why the study of Business studies is important to a businessman (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
21. Under what circumstances would the value of stock change in a business (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____
22. State four factors that affect demand of a product (4mks)
- (a) _____
 - (b) _____
 - (c) _____
 - (d) _____

23. State four features of effective communication (4mks)

(a) _____

(b) _____

(c) _____

(d) _____

24. State four benefits of locating a firm near the source of raw materials (4mks)

(a) _____

(b) _____

(c) _____

(d) _____

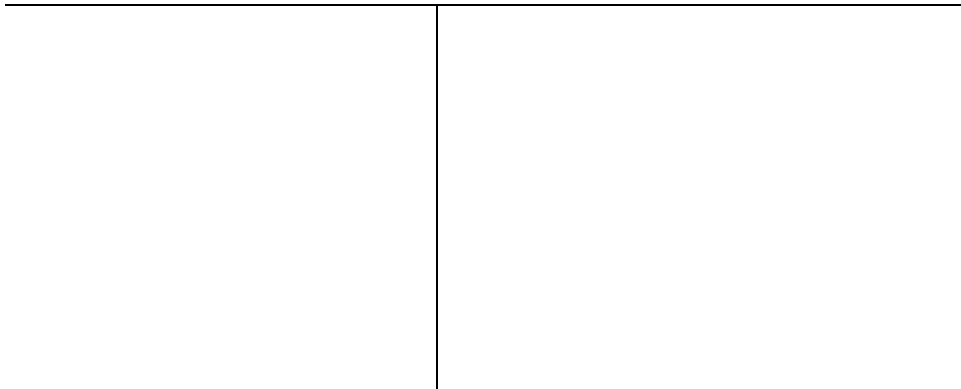
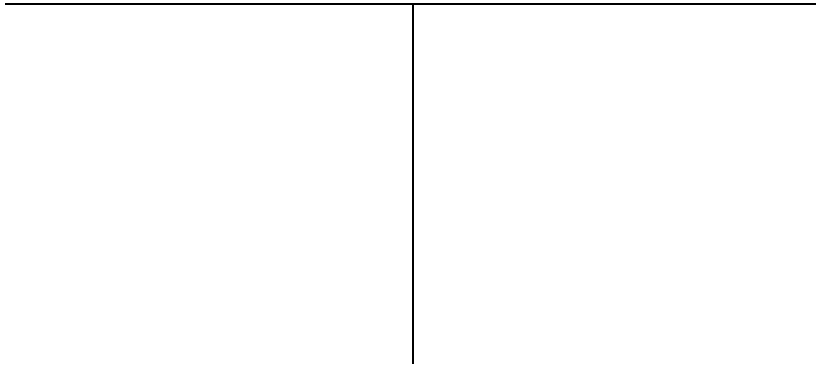
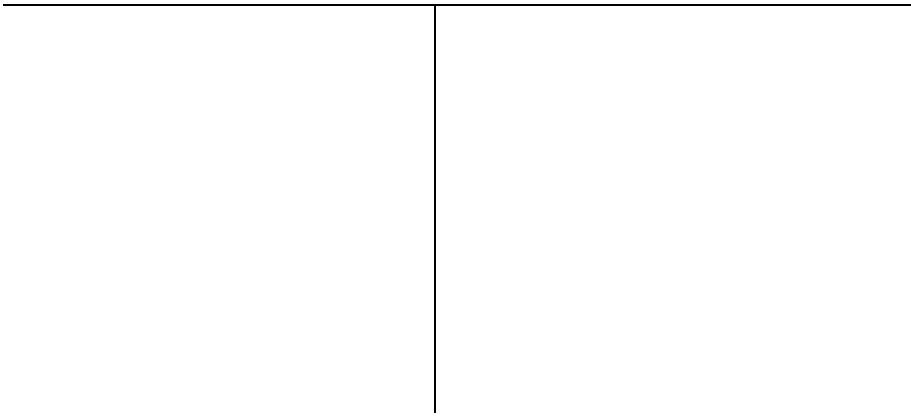
25. The following information relates to Q.M traders for the month of January 2008

2 Jan 2008, Withdrew sh 50,000 from the bank for office use

14 Jan 2008, Paid the following expenses in cash: Stationary ksh 6000,
water ksh 3000.

28 Jan 2008, paid sh 1400 by cheque for repairs of office equipment

Open relevant ledger accounts and record the transactions above. (Balancing of ledger accounts not required) (4mks)



565/1
BUSINESS STUDIES
PPAER 1
JULY / AUGUST 2011
2 HOURS

FORM 4 MID YEAR ASSESSMENT TEST
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 1
MARKING SCHEME

1. Disadvantages of using a cheque to make payments
- One has to wait for sometime before the cheque is cleared in the bank
 - Banks make charges for the cheques
 - Cheques become stale after 6 months
 - The cheques may be dishonoured
 - Some customers refuse cheques for transactions
- Any 4 x 1 = 4mks
2. Books of original entry
- Sales journal
 - Purchase journal
 - Sales return/return inwards journal
 - Purchases return/return outwards journal
 - General journal/journal proper
 - Cash payment journal
- Any 4 x 1 = 4mks
3. Ways used by the central bank to control the amount of money in circulation
- Use of Bank rates
 - Open market operations (omo)
 - Cash/liquidity ratio requirement
 - Compulsory deposit requirement
 - Selective consumer credit control
 - Direct action/moralpersuasion/publicity
- Any 4 x 1 = 4mks
4. Factors to consider before incurring public expenditure
- Whether the expenditure is sanctioned or approved by the relevant authority generally the parliament
 - The social benefit accruing to the society in order to provide maximum benefit
 - Whether there is proper financial management, proper record keeping of accounts
 - How flexible the expenditure is to allow alternations depending on the circumstances prevailing in the market
 - How economical the expenditure is to avoid wastage of scarce resources
 - How easy is it for the expenditure to be expanded or reduced
- Any 4 x 1 = 4mks

This paper consists of 5 printed pages

Turn Over

5. Types of market structures
- Perfect competition
 - Monopoly
 - Monopolistic competition
 - Oligopoly

Any 4 x 1 = 4mks

6. Alternative energy
- Solar power
 - Wind energy
 - Bio fuels
 - Nuclear power
 - Bio gas

1 x 4 = 4mks

7. Advantages of micro-business enterprises
- To create employment opportunities
 - They are easy to manage/operate
 - They require small capital
 - They are exposed to few risks
 - They are flexible in terms of location
 - Have low overheads

1 x 4 = 4mks

8. Causes of inflation
- Increase in total expenditure
 - Increase in price of factors of production
 - Unforeseen circumstances such as increase in the price of crude oil
 - Increase in money supply
 - Decrease in savings by consumers
 - Instability in the Arab world

9. Negative effects of Mututho law
- May result to unemployment
 - May retard economic development
 - Increase poverty levels in the country
 - Discourages investments to investors
 - May affect tourism industry being main foreign earners in the country
 - May lead to collapse of business
 - Reduction of revenue to the government through taxation

10. Saachi Traders
Trial balance as at 31/1/2011

Details/items	Dr	Cr
Stock (31.1.2011)	127,000√	
General expenses	100,500√	
Commission income		75,000√
Discount allowed	45,000√	
Carriage inwards	17,500√	
Accrued rent		15,000√
Sales		200,000√
	<u>290,000</u>	<u>290,000√</u>

8 x ½ = 4mks

11. Differences between liners and tramps

- Liners
- They follow a fixed route
 - They have a fixed timetable
 - They have fixed charges
 - They dock at specific ports

- Tramps
- They have no fixed route
 - They do not follow a fixed timetable
 - Their charges depend on demand
 - They have no specific ports to dock

Any 4 x 1 = 4mks

(Matching differences)

12. Advantages of a bonded warehouse.

- Bonded warehouses ensure that customs duty is paid
- The government is able to control the entry of harmful goods
- The government is able to verify documents for goods in transit
- The government is able to control the quality of goods entering into the country
- The government is able to inspect type or nature of goods imported
- The government is able to check on illegal goods entering the country
- Goods can be prepared for sale while in the bonded warehouse
- The owner can look for the market for the goods while the goods are in a bonded warehouse
- The goods can be sold while still in bonded warehouse
- Goods in a bonded warehouse are secure
- Some goods e.g. tobacco improve in quality while in the warehouse
- Enables the government to control the quantity of goods entering into the country

Any 4 x 1 = 4mks

13. Circumstances under which a life assurance policy might come to an end

- Upon its maturity i.e. incase of an endowment at the end of the policy period
- If the assurer dies
- Incase the insured decides to surrender the policy to the insurer
- Incase the assured is unable to pay premiums

Any 4 x 1 = 4mks

14. Circumstances under which a firm can use competitive advertisement

- If the firm wants to attract more buyers
- If the firm wants to retain already existing customers
- If the firm is launching a new good or service into the market
- If the firm intends to fight off a new competitor in the market
- If the firm intends to correct information about the product which could be circulating in the market.

Any 4 x 1 = 4mks

15.

Assets	Liabilities	Capital
(a) -		-
(b) +		+
(c) -	-	
(d) +	+	

8 x ½ = 4mks

16. Types of unemployment

- (a) Structural
- (b) Disguised/hidden
- (c) Seasonal
- (d) Real wage/voluntary

4 x 1 = 4mks

17. Reasons why direct production is common in Kenya
- Lack of appropriate skills and knowledge
 - Poor resources endowment
 - Low incomes due to poverty which limits production activities
 - Climate/natural factors favour the development of direct production
 - Reliance on poor technology
- Any 4 x 1 = 4mks
18. Roles played by licensing as a government regulatory tool
- Prevents illegal business activities
 - The government is able to get the total number of business operating in an economy
 - It is a source of government revenue
 - Ensures that there is a healthy competition on between people in the same business activities
 - Ensure that businesses do not provide harmful goods and services to the citizens
 - It serves as a platform to monitor the type of goods moving in and out of the country
- Any 4 x 1 = 4mks
19. Factors that can contribute to the success of business in a certain area
- Good and technical skills of the owner in managing the business
 - Strict credit control by the owner
 - Good record keeping in the business
 - Good customer relations
 - Adapting modern technology in business
 - Minimal withdrawal of capital from the business and injecting more funds in it
 - Government support
- Any 4 x 1 = 4mks
20. Importance of Business studies to a business man
- Enables him know how to calculate profit or loss of business
 - Equips him/her with skills and knowledge on how to prepare and keep proper records
 - Enables him acquire skills of wise buying and selling
 - Equips him with skills and knowledge on how to start and run business comfortably
 - Enables the business man appreciate and have positive altitude towards work
 - Enables him to acquire skills of attracting and maintaining more customers
 - It explains to him the need to fulfill the legal requirements to the business
 - It shows the need for one to manage business finances better
- Any 4 x 1 = 4mks
21. Circumstances under which the value of stock change in a business
- When stock is sold
 - When more stock is purchased
 - When sold stock is returned into the business by the customers
 - When purchased stock is returned to the suppliers
- 4 x 1 = 4mks
22. Factors that affect the demand of a product
- Price of the product
 - Price of related products e.g. substitutes and complimentary goods
 - Government policies e.g. taxation, subsidies, ban etc
 - Change in population
 - Change in taste, fashion or preferences
 - Level of consumers income
 - Change in seasons
- Any 4 x 1 = 4mks

23. Features of effective communication
- Language used must be understood
 - Language used must be clear and simple
 - It must be free from interference
 - Both the sender and the receiver must have positive attitude
 - Medium used should be appropriate
 - Information overload should be avoided

Any 4 x 1 = 4mks

24. Benefits of locating a firm near source of raw materials
- Reduced transport cost
 - Reduced cost of production
 - Storage cost of raw materials is avoided
 - Enhances continuous production
 - Get quality raw materials
 - Wastage of raw materials is avoided

Any 4 x 1 = 4mks

25.

Bank account			
Dr			Cr
	2/1/2008	cash	50,000√
	28/1/2008	repairs	1400√

Cash account			
Dr			Cr
2/1/2008 Bank		14/1/2008	stationary
50,000√		14/1/2008	6000√
			water
			3000√

Stationery account	
Dr	Cr
14/1/2008 cash	
6000√	

Water account	
Dr	Cr
14/1/2008 cash	
3000√	

Repairs account	
Dr	Cr
28/1/2008 Bank	
14000√	

8 x ½ = 4mks

Name _____ Index Number _____

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Date _____

565/2
BUSINESS STUDIES
PPAER 2
JULY / AUGUST 2011
2 ½ HOURS

FORM 4 MID YEAR ASSESSMENT TEST
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
2 ½ HOURS

INSTRUCTIONS

- This paper consists of 6 questions each carrying 20 marks
- Answer any five (5) questions out of the six
- Write the answer in the answer sheet provided

Question	1	2	3	4	5	6
Marks						

TOTAL MARKS %	
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This paper consists of 3 printed pages

Turn Over

1. (a) Explain five ways in which the central bank acts as a banker to the government (10mks)
- (b) A new employee teacher was advised to take endowment policy rather than wholelife policy. Explain five benefits for this (10mks)
2. (a) Explain five factors that may limit adoption of modern technology in business operations (10mks)
- (b) On 1st January 2011 Mulei Traders had 180,000 cash in hand and a bank credit balance of sh 57,500. During the month the following transactions took place (10mks)
 - 3rd Cash sales sh 21,800
 - 4th A debtor settled his account of sh 90,000 by cheque
 - 10th Paid salaries sh 40,000 in cash
 - 12th Took cash sh 3500 to settle a personal debt
 - 23rd Received a cheque shs 8460 from Nganda wholesalers after deducting 6% cash discount
 - 24th Deposited sh 10,000 in the bank from office cash
 - 25th Purchased stock worth sh 8950 on credit from Ngumo distributors
 - 26th Cash sales banked directly sh 38,000
 - 27th A cheque received on 4th from debtor was dishonoured. The bank charged him sh 2500
 - 29th Settled creditors account sh 6000 by cheque less 3% cash discount
 - 31st Banked all cash except sh 40,000

Required:

- Prepare a three column cash book dully balanced (10mks)
3. (a) Explain five reasons why a manufacturer should have his own warehouse (10mks)
- (b) Outline five differences between a public limited company and a partnership (10mks)
4. (a) Explain five circumstances under which monopolies exist in a given economy (10mks)
- (b) The following balance were extracted from the books of Mutua Traders for the year ended 31st Dec 2001 after having prepared a trading account

	Dr (sh)	Cr (sh)
Gross profit		38,100
Stock (31 st Dec)	80,200	
Cash	105,060	
Motor van	603,000	
Capital		653,560
Equipment	200,600	
Furniture	94,400	
Creditors		74,300
Debtors	75,900	
Discount received		26,400
Salaries	12,400	
Carriage outward	14,400	
Rent income		12,600
Advertising	22,200	
Insurance	9,400	
Bank overdraft		412,600
	1,217,560	1,217,560

Required:

- (i) Prepare a profit and a loss account for Mutua Traders for the year ended 31st December 2001 (5mks)
- (ii) Prepare a balance sheet as at 31st December 2001 (5mks)
- 5. (a) Describe the importance of the structure for economic growth (10mks)
- (b) Explain five disadvantages of progressive taxes (10mks)
- 6. (a) Explain five short comings of internet services (10mks)
- (b) Explain five factors that influence the level of natural development of a country (10mks)

FORM 4 MID YEAR ASSESSMENT TEST
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
MARKING SCHEME

1. (a) Central bank as a banker to the government
- It undertakes all government transactions e.g. different government ministries draw their cheques on it as payments for different goods/services that ministers purchase
 - It receives various financial/revenue on behalf of the government in form of taxes, foreign loans, grants and foreign aids
 - It safeguards the finances/revenue of the government
 - The central bank repays foreign loans on behalf of the government
 - It advances loans to the government both short and long terms basis to finance different projects
- Any 5 5 x 2 = 10mks
- (b) Benefits of endowment policy
- Chance of benefiting from fund it doesn't die
 - Surrender value is high in endowment than life
 - Acts as a saving plan
 - Endowment policy begins to accrue its surrender value early
 - Insured can decide on maturity date
- 5 x 2 = 10mks
2. (a) Limitations of adopting new technology
- Insufficient capital/ high cost of acquiring and maintaining new technology
 - Some technology is advancing very fast requiring continuous updating which is expensive
 - Adoption of new technology may lead to lay-off/increase in unemployment problems
 - Require hiring new staff or retraining them which is expensive
 - It increases cost of goods in the short-run
 - It increases prices of goods thus discouraging potential customers
 - Some technology have side-effects e.g. computers affect the eyesight
 - Breakdowns of some machines may lead to losses or interruption of business operation
 - Some technology may lead to environmental degradation e.g. disposal of waste, which calls for measures which is expensive
- Well explained 5 x 2 = 10mks

This paper consists of 4 printed pages

Turn Over

(b)

Mulei Traders
Three column cash book for Jan 2010

Date	Details	L. F	D. All	Cash	Bank	Date	Detail	L.F	D. Rec	Cash	Bank
2011 Jan 1	Bal	b/d		180,000√		2011 Jan 1	Bal	b/d			57,500√
3	Sales			21,800√		10	Salaries			40,000√	
4	Debtors				90,000√	12	Drawing			35,000√	
23	Nganda		540√		8,460√	24	Bank			10,000√	
24	Cash			10,000√		27	Bank				90,000√
26	sales				38,000√		Charges				2,500√
31	Cash				108,300√	29	Creditor		180√		5,820√
						31	Bank			108,300	
						31	Bal	Cd		40,000√	98,880√
			540	<u>201,800</u>	<u>254,700</u>				180	<u>201,800</u>	<u>254,700</u>
31	Bal	b/d		40,000√	98,800√						

20 x 1/2 = 10mks

3. (a) Reasons for manufacturers warehouse

- Owner may design the warehouse according to his specification
- No procedure in receiving and issuing goods
- Has full control of the warehouse
- Enables special handling of goods
- No cost of hiring

Any other relevant point well explained 2 x 5 = 10mks

(b) Differences between public ltd companies and partnerships

Public limited companies	partnerships
- Minimum number of people who form it is seven. No maximum	- Minimum is two and maximum 20 and 50 for professional partnerships
- Liability is limited to number of shares on his	- For limited partnership, liability to one's contribution, general partners have no limited liability
- Shares/ownership/interest is freely transferable	- Any change requires the consent of all partners
- Raise capital through sell of shares	- raise capital through contribution by members
- Management by the elected board of directors	- Management by partners themselves
- Enjoys continuous life/not affected by death of a member	- Death/bankruptcy/insanity of a member leads to dissolution
- Has legal entity separate from members owners	- Partnerships and members are seen as one

2 x 5 = 10 any well matched point

4. (a) Circumstances under which monopolies exist
- Where one firm controls the source of raw materials
 - Where the good or product can only be efficiently produced by one firm only
 - Where firms merge or amalgamate to operate as one firm
 - If a firm grows naturally due to economics of large scale
 - Where patent rights and trade marks granted to one firm
 - Where the capital outlay is too huge denying entry of any new firm in the market
 - Where the government establishes a firm to provide an essential good/services

No splitting 2x 5 = 10mks

(b) Mutua traders
Profit and loss Account
For the year ended 31st Dec 2001

	Sh		sh
Carriage outwards	14,400 ✓	Gross profit b/f	38,100✓
Salaries	12,400✓	Discount received	26,400✓
Advertising	22,200 ✓	Rent income	12,600✓
Insurance	9,400✓		
Net profit	<u>18,700✓</u>		
	<u><u>77,100 ✓</u></u>	Net profit b/d	<u><u>77,100</u></u> 18,700

Balance sheet
Mutua Traders
Balance sheet
As at 31st Dec 2001

Fixed assets		Capital	653,560✓
Motor van 603,000✓		Add Net profit	<u>18,700✓</u> 672,260
Equipment 200,600✓			
Furniture <u>94,400 ✓</u>	898,000	<u>Current liabilities</u>	
<u>Current Ass</u>		bank overdraft	412,600✓
Stock 80,200✓		Creditors	<u>74,300 ✓</u> 486,900
Debtors 75,900✓			
Cash <u>105,060✓</u>	261,260		
	<u><u>1,159,160✓</u></u>		<u><u>1,159,160</u></u>

20 x ½ = 10 mks

5. (a) Importance of age structure for economic growth
- Individuals do not contribute equally to production
 - Supply of labour depends on the proportion of the workforce
 - Economically active in population depend on the age structure
 - Age structure assist the government in planning
 - The proportion of dependants influence the pace of economic growth 2 x 5 = 10mks

- (b) Disadvantages of progressive taxes
- This taxes are difficult to understand
 - They are also difficult to measure utility
 - It's a way of punishment to hard ward
 - It breeds corruption for it can be evaded
 - It hampers social welfare
 - It can lead to scope of tax evasion
 - It doesn't encourage capital formation

2 x 5 = 10mks

6. (a) Shortcomings of internet services

- Information may not be secure since many people can access it (aking)
- Information can be diverted by competitors who know the password
- Computer may be invaded by computer virus hence losing all the information
- Can be used to transmit harmful information e.g. terrorism, drugs etc
- It may slow or taking long to access services
- Computers have to go through a mass of information
- One needs to be computer literate
- Encourages pornography

5 x 2 = 10mks

(b) Factors that influence level of development of a country

(i) Labour supply

- A country with well skilled and knowledgeable labour will be more developed than a country with semi skilled labour

(ii) Capital

- Most of the developed countries have large pool of capital. Most countries with large pool of capital will be able to use it to develop all sectors in a country

(iii) Entrepreneurship

- A country with good management and coordination of the other factors of production will lead to high and effective production hence it will be high developed

(iv) Land

- These are the resources a country has. A country with a lot of natural resources will utilize them and hence be developed

(v) Level of technology

A country with the latest and modern technology will produce modern items hence have large market leading to development

(vi) Political stability

This is the main key point in a country that is politically stable will attract many industries both locally and foreign investors hence this will lead to development

Any 5 x 2 = 10mks