

Name _____ Index Number _____

Candidate's signature _____

Date _____

565/1
BUSINESS STUDIES
PPAER 1
JULY 2011
2 HOURS

KIBWEZI SECONDARY SCHOOL EXAMINATION 2011
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 1
2 HOURS

INSTRUCTIONS

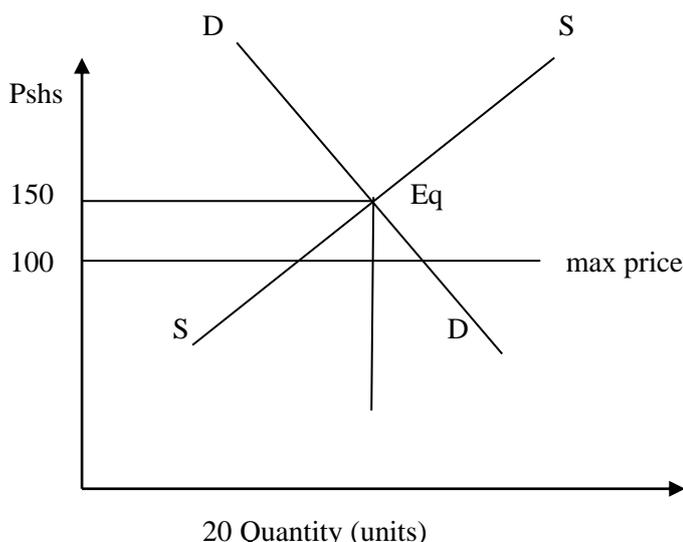
- (a) Answer all questions in the spaces provided
(b) All answers must be written in the spaces provided in this booklet

1. State the type of utility created by each of the following activities. (4marks)
a) Delivery milk to a customer
b) Keeping money in the bank
c) Selling bread to a student
d) Making uniform for students
2. You are required to come up with a business idea to discuss in your class. Suggest what you will consider to turn it into a good business opportunity. (4marks)
3. State the disadvantages of using a cheque as a means of payment. (4marks)
4. Prepare a corrected balance sheet from the following

DIMA TRADERS
BALANCE SHEET
AS AT 30.6.2009

Capital	109,000	Bank overdraft	25,000
Stock	33,000	Accrued rent	64,000
Debtors	56,000	Computers	134,000
Barclays loan	42,500	Cash	17,500
	240,500		240,500

5. One of functions of an office is to safeguard and controlling of organizations property. State how an office can achieve this. (4marks)
6. State 4 reasons for the popularity of motorcycles as a means of transport. (4marks)
7. The following diagram shows the equilibrium price of good x as set by the forces of demand and supply.



Suppose the government sets the maximum price at shs.100 (below shs. 150, the equilibrium price). What would be the effect? (4marks)

8. Highlight four benefits that accrue to a consumer who buys directly from the producer. (4marks)
9. Distinguish direct taxation from indirect taxation
10. The following is a list of source documents. Indicate the book of original entry supported by each document (4marks)

Document	Book of original entry
(a) Incoming invoice	
(b) Outgoing credit note	
(c) Outgoing receipt	
(d) Payment voucher for purchase of postage stamp	

11. Outline four reasons why it is advisable for developing countries to adopt labour intensive methods of production. (4marks)
12. Highlight 4 disadvantages of a monopoly to the consumer. (4marks)
13. Maria had a house valued at ksh. 400,000. She had insured the house against the risk of fire with company A for shs 300,000 and company B for shs. 200,000. Later the house was completely destroyed by fire. Calculate the amount of money paid by each company as compensation for the loss. (4marks)
14. Kenya is currently experiencing increases in prices of basics foodstuffs. State 4 reasons for this state of affairs. (4marks)
15. Outline four factors that determine the supply of money in the economy. (4marks)
16. The following is an extract of a cash book. (4marks)

Dr				Cr			
Date	Details	Cash	Bank	Date	Details	Cash	Bank
2005							
May 2	Bal. b/f	W	X	May 6	Wages		60,000
12	Sales	20,000		18	Purchases		130,000
20	Kamau		50,000	22	Rent	6,000	
28	Sales		120,000	28	Bal c/d	Y	15,000
							Z

Determine the figures represented by W, X, Y and Z.

17. The following information was extracted from the books of Amin's traders on 31 Dec. 2007 (4marks)

	Shs
GP	4,000
Commission received	2,000
Water expense	300
Rent and rates	1,200
Rent received	1,000

Salaries and wages 1,500

Required:

Prepare a profit and loss A/C and hence determine the net profit

18. Distinguish 4 ways how Jua kali (informal sector) differs from manufacturing sector (4marks)

19. The following transactions relates to oceanic traders for the month of Feb 2005. (4marks)

2nd Feb, Withdrew shs 50,000 from the bank for office use

14th Feb, Paid the following expenses in cash

- Electricity shs. 6000

- Transport shs. 3000

- Postage shs. 1000

27th Feb, Introduced his own furniture valued a shs 20,000 for business use.

Required:

Open relevant ledger accounts (Balancing of A/C NOT required)

20. State 4 ways in which the nature of goods would influence the choice of means of transport. (4marks)

21. The following information relates to Kazi Kazi Enterprises

	Shs
Sales	450,000
Stock as at 1 st Jan 2008	60,000
Stock as at 31 Dec. 2008	30,000
Expenses	35, 000
Margin	25%

Calculate:

Net purchases

22. Under what circumstances is personal selling appropriate as a means of product promotion? (4marks)

23. List any four levels that countries can intergrate in order to form trading blocks. (4marks)

24. State 4 reasons for privatization of state corporations

25. Give four errors that may cause a trial balance not to balance. (4marks)

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PAPER 1
MARKING SCHEME**

1. • Time utility
• Place utility
• Possession utility
• Form utility

4marks

2. Business idea

- The product (s) the business to sell
- Who the business will sell to (market)
- Where the business will be located
- How the business will run (management)
- Why the business is need (objectives)

4marks

3. State the disadvantages of using a cheque as a means of payment

- Requires the payee to go to the bank
- Cheques may be dishonoured
- The drawer pays some bank charges
- Can only be issued by an account holder
- Some people may refuse to accept personal cheques

4marks

4.

**DIMA TRADERS
BALANCE SHEET
AS AT 30.6.2009**

Assets		Capital + liabilities	
Computers	134,000√	Capital	109,000√
Stock	33,000 √	5 years Barclays loan	42,500√
Debtors	56,000 √	Accrued rent	64,000√
Cash	17,500 √	Bank overdraft	<u>25,000√</u>
	<u>240,500</u>		<u>240,500</u>

8 x ½ = 4marks

5. • Increase security against theft e.g. employ watchmen
• Ensuring physical care by people using the property
• Keeping records of movement and usage of each of the property
• Physical stock – taking of each property
• Taking insurance cover
• Proper repairs, serving and maintenance.

4marks

6. State 4 reasons for the popularity of motorcycles as a means of transport

- They are relatively cheap to buy and maintain
- They can provide door to door transport service
- They can travel on rugged roads
- They are fast
- They can relatively carry heavier loads compared to human portorage *4marks*

7. • Demand will be more than the supply
- There will be shortage of commodity in the market
 - There will be rationing of commodity
 - Queuing for the commodity
 - Traders will hoard the commodity
 - Black marketeering *4marks*

8. • Low prices/discounts
- High quality goods
 - Goods cannot get damaged
 - Goods/services can be offered according to specifications
 - Complaints/views can be acted immediately by the producer *4marks*

9. Distinguish in 4 ways direct taxation from indirect taxation

Direct taxes	Indirect taxes
• Both the impact and incidence of the tax are on the same person	• Impact and incidence may or may not be on the same person
• It is based on incomes, profits and property of individuals as well as companies	• It is based on expenditure on goods and services
• It leads to reduction of incomes of individuals as well as companies	• It leads to increases in prices of goods and services
• Low incomes earners are not taxed as they fall below the tax brackets	• All consumers of the taxed product pay the tax irrespective of their level of incomes

4marks

10. • Purchases Journal
- Sales returns Journal
 - Cash receipts Journal
 - Petty cash book *4marks*

11. • To minimize unemployment crisis
- Labour is relatively cheaper in LDC's
 - Labour/skills deteriorate if not employed
 - Level of technology in LDC's is low *4marks*

12. Highlight 4 disadvantages of monopoly

- A monopolist is likely to charge high prices for his/her products
- It is possible for a monopolist to practice price discrimination
- Does not improve the quality of his/her produce since there is no competition
- A monopolist may not supply enough quantities in the market leading to shortages *4marks*

13. Each company = $\frac{\text{Sum insured}}{\text{Total value}} \times \text{loss}$

Total = 300,000 + 200,000 = 500,000

Company A = $\frac{300,000}{500,000} \times 400,000 = 240,000$

Company B = $\frac{200,000}{500,000} \times 400,000 = 160,000$ *4marks*

14. Kenya is currently experiencing increases in prices of the basic food stuffs. State 4 reasons for this state of affairs

- Shortages caused by adverse climatic conditions
- Increase in prices of petroleum products
- Hoarding
- Lack of price control **4marks**

15. • Policies adopted by the government
- Sale of treasury bills
 - Credit creation by commercial banks
 - Increase in general income
 - Increase in foreign exchange **4marks**

16. W – shs 40,000
 X – shs 35,000
 Y – shs 54,000
 Z – shs 105,000 **4marks**

17.

Amini Traders
Profit & loss A/C
For the year ended 31st Dec 2007

Add: Expenses	Shs	GP b/d	Shs
Salaries & wages	1,500√	Add: other	4,000√
Rent & rates	1,200√	Revenues commission received	2,000√
Water expense	300√	Rent received	1,000√
Net profit c/d	4,000		<u>7,000</u>
	<u>7,000</u> √		<u>7,000</u>

8x ½ = 4marks

18.

Jua kali	Manufacturing
(i) Requires little capital to start	(i) Requires large amount of capital
(ii) May employ semi skilled labour	(ii) Employees skilled professionals
(iii) Usually labour intensive	(iii) Usually capital intensive
(iv) Products not standardised.	(iv) Its products are standardised

4marks

19.

Dr	Bank A/C	Cr
	2 nd Feb, cash a/c	50,000
Dr	Cash A/C	Cr
2 nd Feb, bank A/C 50,000	14 th Feb, Feb Electricity	6,000
	Transport	3,000
	Postage	1,000
Dr	Electricity A/C	Cr
14 th Feb, Cash 6,000		
Dr	Capital A/C	Cr
	27 th Feb, Furniture	20,000
Dr	Furniture A/C	Cr
27 th Feb, capital 20,000		
Dr	Transport A/C	Cr
14 th Feb, Cash 3,000		

Dr
14th Feb, Cash 1,000

Postage A/C

Cr

Maximum 8 x 1/2 = 4 marks

20. State 4 ways in which the nature of goods would influence the choice of transport

- Perishable goods require a fast means
- Bulky goods require a convenient transport such as trains
- Valuable goods require a safe transport such as aeroplanes
- Fragile goods require smooth means like sea or air transport
- Urgently required goods require a fast means like aeroplanes.

4marks

21. Margin $= \frac{\text{G.P}}{\text{Net sales}} \times 100$

$\frac{3}{4} = \frac{\text{GP}}{450,000}$

$\text{GP} = \frac{1}{4} \times 450,000 = 112,500\checkmark$

Mark up $= \frac{\text{GP}}{\text{C.O.G.S}}$

$\text{C.O.G.S} = 3 \times 112,500 = \text{shs } 337,500\checkmark$

$\text{C.O.G.S} = \text{OP stock} + \text{P} - \text{Cl. Stock}$

$\text{Shs } 337,500 = 60,000 + \text{P} - 30,000\checkmark$

$\text{Purchase} = \text{shs } 307,500\checkmark$ *4marks*

22. • When launching a new product
- When a customer's specification has to be met
 - When demonstration is required
 - When the value of the product is high
 - When organization can finance the sales force
 - Where the market is concentrated in one area

4marks

23. Levels of economic intergration

- Free Trade Area
- Customs Union
- Common market
- Economic union

4marks

24. State 4 reasons for privatization of state corporations

- To encourage foreign investors to bring in more capital
- When the government wishes to raise finances to provide for other governments needs
- When the parastals are making persistent losses
- Due to global economic trends which favour private sectors involvement in the economy
- To increase efficiency in the parastals due to high competition.

4marks

25. • If a transaction was recorded on only one account
- Different amounts for the same transactions might have been entered in the account
 - Transferring a wrong balance to the trial balance
 - Failure to post a balance to the trial balance
 - Arithmetic errors in balancing the trial balance
 - Recording a transaction on the same side of the affected accounts.

4marks

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565/2
BUSINESS STUDIES
PAPER 2
JULY / AUGUST 2011
2 HOURS

KIBWEZI SECONDARY SCHOOL EXAMINATION 2011
Kenya Certificate of Secondary Education
BUSINESS STUDIES
PAPER 2
2 HOURS

INSTRUCTIONS

- (a) This paper consists of six questions
- (b) Answer any FIVE questions
- (c) Write answers in the answer booklet provided
- (d) All questions carry equal marks

1. (a) M-Pesa is a current trend as a means of payment and money transfer. Explain any four benefits of using M-Pesa in remitting money (10marks)
 (b) Highlight 5 measures that a country can take to correct unfavourable balance of payment. (10marks)
2. (a) Under what circumstances will a manufacturer/producer construct his own warehouse? (10marks)
 (b) The government of Kenya and the private sector has established export processing Zones (EPZ'S) in various parts of Kenya. Explain five economic benefits Kenya enjoys through investors in the EPZ'S. (10marks)
3. (a) Discuss five reasons that have led to the popularity of savings and credit societies (SACCO'S) in Kenya (10marks)
 (b) The following transactions took place in Maringo Traders in the month of June 2008
 - June 4: Sold goods on credit to Banya sh. 14,000 invoice number 011 and Omondi sh 17,000 invoice no. 012
 - 7: Bought goods on credit from Faddy shs 43,000, invoice No. 001
 - 10: Banya returned goods worth sh 3,000 He was issued with credit note No. 205
 - 12: Purchased goods on credit from Mumbi sh 64, 000 invoice No. 615 and from Kamau sh. 28,000, invoice No. 211
 - 18: Goods worth sh 15,000 were returned to Faddy credit note No. 311 and goods worth sh 2,000 were returned to Mumbi credit Note No. 312
 - 22: Goods sold on credit to Banya sh. 6000 invoice No. 013, Amwangu sh. 10,000 invoice No. 014 and Josphine sh. 11,000 invoice No. 015
 - 28: Goods worth sh. 1000 returned by Amwangu. He was issued with a credit note No. 206

Required:

Prepare the relevant journals to record the above transactions. (10marks)

4. (a) Explain 5 reasons why small scale businesses are still popular despite the benefits of large scale operation. (10marks)
 (b) Under what circumstances can middlemen be eliminated from the chain of distribution. (10marks)
5. (a) Discuss 5 duties of a public relations officer in an organization. (10marks)
 (b) The following balances belongs to Kibwezi Enterprises as at 31 Dec 2010

	Shs
Premises	100,000
Debtors	4,000
Creditors	16,000
Stock	2,000
Bank	60,000
Cash in hand	20,000
Loan from KCB	50,000
Capital	120,000

During the month of Feb 2011, the following transactions took place:

- Feb 2 Sold goods worth shs 2,000 cash
- 5 Paid creditors shs. 8,000 cash
- 10 Received shs 2,000 from his debtors in cash
- 15 Bought a M. van for shs 35,000 paying by cheque
- 20 Purchased goods worth shs. 15,000 and paid by cheque

Required:

Prepare a balance sheet as at Feb. 2011 (10marks)

6. (a) Kenya is considered to be an under-developed country. Explain five characteristics that can be used for such classification. (10marks)
- (b) The following Trial Balance was prepared from the books of Boda Traders as at 31st December 2009.

Boda Traders Trial Balance As at 31 st December 2009		
Dr Sh		Cr. Sh.
Sales		900,000
Purchases	600,000	
Returns	80,000	
Returns outwards		20,000
Carriage inwards	40,000	
Carriage outwards	3,000	
Stock (Jan – 2009)	100,000	
Rent		60,000
Delivery van	180,000	
Bank	60,000	
Creditors		50,000
Debtors	120,000	
Interest expenses	18,000	
General expenses	7,000	
Capital		178,000
	1,208,000	1,208,000

Stock on 31st December 2009 was valued at sh. 135,000

Required:

Prepare a Trading Profit and Loss Account for the year ended 31st December 2009.

(10 marks)

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PAPER 2

MARKING SCHEME

1. (a)

- One can pay utility bills/creditors without necessary going to the bank or meeting them
- Cash cannot be lost or stolen easily since it is in electronic form
- Once payment has been made there is always evidence of the payment to both parties
- One can access his/her account anywhere and anytime and make payments
- It has now become an acceptable means of payment since most people have mobile phones

2 x 5 = 10marks

(b)

- Decreasing the volume of imports – Through such measures such as imposing import Duty which make imported products more expensive than locally produced goods.
- Increasing the volume of export – This can be done through such measures as diversifying foreign markets, compensating exporters. etc
- Encouraging foreign investment into the country – such foreigners bring in capital to build factories which produce goods some of which are exported to earn revenue
- Devaluation of currency – devaluation makes a country's exports cheaper leading to increased exports
- Restricting outflow of capital – the government can decrease the percentage of profit that foreign investors repatriate in order to cut such outflows.

2 x 5 = 10marks

2. (a)

- Where building a warehouse reduces storage costs in the long run
- Where the manufacturer is producing a large volume of goods that will utilize the warehouse to full capacity
- Where the manufacturer would like to locate his warehouse near the market/customers
- Where manufacturer would like to have the warehouse located near his production premises
- Where the manufacturer would like a warehouse with special features/specification
- Where the manufacturer wants to have total control of the warehouse
- Where the manufacturer does not want to experience delays caused by long procedures of receiving/issuing goods

2 x 5 = 10marks

NB: Candidates must use words like when, if or where to earn marks

(b)

- Creation of employment opportunities
- Improve and use of modern technology
- Creation and increase in capital investments for the country
- Increase and diversification of the country export products and markets
- Improvement of infrastructure in those areas where the zones are located
- Improvement of balance of payment and trade through Forex earnings
- Promotion of industrialization
- Encouraging foreign investments in the country

2 x 5 = 10marks

3. (a)

- Loans attract low interest rates
- Procedures to acquire loans are simple and quick
- It offers opportunity to save through contribution of shares
- It offers front office banking services (FOSA)
- Their loans do not require collateral/security but only guarantors
- Members contributions (shares) are doubled in case of death of member
- Loans are written off in case the member dies
- Members are paid dividends at the end of financial year

5 x 2 = 10marks

(b)

Purchase Journal

Date	Particulars	Invoice No	F	Amount shs
07/06/2008	Faddy	001		43,000√
12/06/2008	Mumbi	615		64,000√
12/06/2008	Kamau	211		28,000√
	Total posted to purchases a/c GL √ (debit)			<u>135,000√</u>

Sales Returns Journals

Date	Particulars	Credit Note No F	Amount
10/06/2008	Banya	205	3,000√
	Amwangu	206	1,000√
	Total posted to sales returns		<u>4,000√</u>
	Journal A/C (DR)√		

Purchases Returns Journal

Date	Particulars	Credit Note No.	F	Amount
18/06/2008	Faddy	311		15,000√
18/06/2008	Mumbi	312		2,000√
	Total posted to purchases returns			<u>17,000√</u>
	Journal A/C in the General ledger √ (CR)			

Sales Journal

Date	Particulars	Invoice No	F	Amount
04/06/2008	Banya	011		14,000√
04/06/2008	Omondi	012		17,000√
22/06/2008	Banya	013		6,000√
22/06/2008	Amwangu	014		10,000√
22/06/2008	Josphine	015		11,000√
	Total posted to the sales A/C(CR)√			<u>58,000</u>

20 x 1/2 = 10marks

4. (a) Explain 5 reason for the popularity of small scale business

- They require few legal formalities to start
- Need a small initial capital
- High level unemployment – provide an alternative
- Government support through policies/good will
- Are very flexible in terms of location and operation
- Few risks are involved
- Easy decision making

(b) Circumstances under which middlemen can be eliminated from the chain of distribution

- Where goods/services are sold/purchased by tender
- In case the distribution costs are low/few
- If the market is small/concentrated – and can be reached easily
- When the goods sold are technical in nature a need demonstration
- Where the good requires customer specification is an order
- Where the goods are perishable hence requires a short distribution channel
- Where the producer has his/her own retail outlets where the goods are sensitive e.g. firearms
- If it is government policy and must be complied with *2 x 5 = 10marks*

5. (a)

- Informing the public about the firms/organizations achievements and concerns
- Contributing to community welfare in areas such as helping the physically challenged, giving bursaries and supporting sporting activities
- Assisting in upholding the good image of the firm
- Improving the relationship between the firm and its customers
- Correcting the dented (bad image) of the firm *2 x 5 = 10marks*

(b)

Kibwezi enterprises
Balance sheet
As at Feb. 2011

	Shs		shs
Premises	100,000√		Capital
M. Van	35,000 √		120,000√
			Loan from KCB
			50,000√

Stock	15,000 ✓
Debtors	2,000 ✓
Bank	10,000 ✓
Cash	16,000 ✓
	<u>178,000 ✓</u>

Creditors	8,000 ✓
	<u>178,000</u>

1 x 10 = 10 marks

Working will not earn any marks

6. (a)

- High level of property
- Disparity in income distribution
- Low level of savings and investments
- High population growth rate
- Dominance of subsistence sector
- Unemployment
- Dependence on developed countries
- Lack of modern technology
- Lack of capital to exploit natural resources.

2 x 5 = 10marks

(b)

Boda Traders				
Trading , Profit and Loss Account				
For the year ended 31 st December 2009				
	Sh.	Sh.		Sh.
Opening stock		100,000	Sales	900,000
Purchases	600,000		Less returns in	80,000
Less returns out	20,000		Net sales	820,000
		580,000		
Add carriage in		40,000		
Goods available for sale		720,000		
Less closing stock		135,000		
Cost of sales		585,000		
Gross profit c/d		235,000		
		820,000		820,000
Carriage outwards		3,000	Gross profit b/d	235,000
Interest expenses		18,000	Rent	60,000
General expenses		7,000		
Net profit		267,000		
		295,000		295,000

