

NAME:.....INDEXDATE.....

SCHOOL:.....SIGNATURE.....

565/1
BUSINESS STUDIES
PAPER 1
JULY / AUGUST, 2010
2 HOURS

THE BELGUT/AINAMOI JOINT EVALUATION EXAM

Kenya certificate of secondary education 2010

565/1
BUSINESS STUDIES
PAPER 1
JULY / AUGUST 2010

INSTRUCTIONS TO CANDIDATES

- ❖ Answer all questions in the spaces provided in the question paper
- ❖ All your workings to be shown

For examiner's use only

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

| | | | | | | | | | | |
|-----------|----|----|----|----|----|----|----|----|----|----|
| Questions | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| Marks | | | | | | | | | | |

**TOTAL
MARKS**

1. State four reasons why choice is important in the satisfaction of human wants. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

2. Highlight four reasons why it may be necessary for Kenyan to control her imports. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

3. Identify the source documents used to record the following books of original entry. (4mks)

| Books of original entry | Source document |
|------------------------------|-----------------|
| i). Purchase journal | |
| ii). Returns inwards journal | |
| iii). Sales journal | |
| Iv) Petty cashbook | |

4. Highlight four reasons for levying taxes. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

5. Highlight four features of life insurance cover. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

6. Outline four ways in which land influences the location of industries. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

7. Highlight four reasons why there is need for ethical practices in business. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

8. Outline four merits of micro- filming. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

9. The table below represents units of output and their cost of production. Find the value of cost A, B, c and D. (4mks)

| Units of output | Total fixed cost | Total variable cost | Total cost | Average fixed cost | Average variable cost | Average cost | Marginal cost. |
|-----------------|------------------|---------------------|------------|--------------------|-----------------------|--------------|----------------|
| 3 | 3,000 | 2,400 | A | 1,000 | 800 | 1,800 | — |
| 4 | 3,000 | 3,200 | 6,200 | 950 | B | 1,550 | 800 |
| 5 | 3,000 | 5,000 | 8,000 | C | 1000 | 1,600 | D |
| 6 | 3,000 | 7,200 | 10,200 | 500 | 1,200 | 1,700 | 2,200 |

10. Outline four ways of improving the efficiency of a warehouse. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

11. The following information relates to rock Ice Ltd. For the period ended 31.12.2006

Sales 1,000,000

Opening stock 100,000

Closing stock 25% on cost of sales.

Gross profit margin 20%

Calculate :

i. Gross profit (1mk)

ii. Cost of sales (1mk)

iii. Purchases (2mk)

12. Outline four functions of a proforma invoice. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

13. State four reasons why credit cards are popular in Kenya today. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

14. Highlight four features of ordinary shares. (4mks)

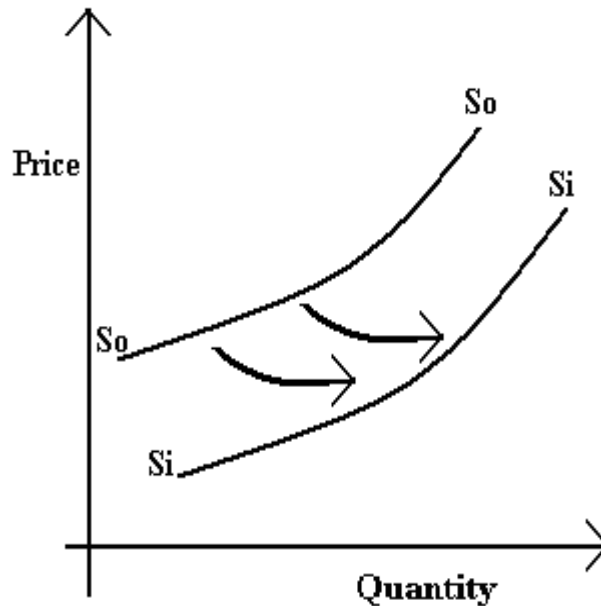
- i.....
- ii.....
- iii.....
- iv.....

15. State four ways in which a business may be affected negatively by inflation.(4mks)

- i.....
- ii.....
- iii.....
- iv.....

16. Identify four reasons which may lead to a shift in supply curve as shown below.

(4mks)



- i.....
- ii.....
- iii.....
- iv.....

17. The following information relates to business A, B, C and D. Determine the missing figure W, X, Y, and Z. (4mks)

| Business | Capital (shs) | Assets (shs) | Liabilites (shs) |
|----------|------------------|-----------------|---------------------|
| A | 150,000 | W | 300,000 |
| B | X | 2,600,009 | 1,400,000 |
| C | 330,000 | 419,509 | Y |
| d | Z | 6,499,999 | 2,840,121 |

18. State four factors that determine the supply of money in an economy. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

19. The following balance sheet was incorrectly prepared by Kericho wholesalers.

Kericho W/salers
Balance sheet as at 31.12.2006

| <u>A</u> | ksh | <u>C + L</u> | <u>Ksh.</u> |
|--------------|---------|----------------|-------------|
| Capital | 200,000 | Cash at bank | 4000 |
| Stock | 56,000 | Bank overdraft | 30,000 |
| Cash in hand | 4,000 | Motor vehicles | 140,000 |
| Fixtures | 4,000 | Debtors | 72,000 |
| | | Creditors | 50,000 |
| | 26400 | | 26400 |

Required :

Prepare a corrected balance sheet.

(5mks)

20. Highlight four benefits Kenya gets from joining a regional economic block like COMESA (4mks)

- i.....
- ii.....
- iii.....
- iv.....

21. State four reasons why the short message services (SMS) is replacing letters as a way of communication (4mks)

- i.....
- ii.....
- iii.....
- iv.....

22. Highlight three ways in which an oligopolist may fix its prices. (3mks)

- i.....
- ii.....
- iii.....
- iv.....

23. Highlight four reasons why motorbikes are quickly replacing bicycles as a choice for clients. (4mks)

- i.....
- ii.....
- iii.....
- iv.....

24. The per capita income in a country was \$ 650 in January 2004. At the end of the end year the per capita had increased to \$ 840. State four reasons why the standard of living of the people in the country may not have risen during the year (4mks)

- i.....
- ii.....
- iii.....
- iv.....

25. the following information was extracted from the books of James traders for the year ended 31.12.2005

- i. Rent owing 1.1.2005 shs 12,500
- ii. Rent paid for the year was shs.136,000
- iii. Rent owing 31st Dec 2005 shs 24,000

Prepare the rent A/c for the year.

(4mks)