**BUSINESS STUDIES**

**PAPER ONE**

**565/1**

**TIME: 2 HOURS**

**APRIL 2023**

**MOMALICHE 2 CYCLE 10**

**BUSINESS STUDIES**

**PAPER ONE**

**NAME:…………………..………………...ADM NO:……..…CLASS:………**

INSTRUCTIONS: ANSWER ALL QUESTIONS IN THE SPACES PROVIDED

1. Outline four benefits of entrepreneurship in a country. (4mks)

a)………………………………………………………………………………………………………………………………………………

b)………………………………………………………………………………………………………………………………………………

c)………………………………………………………………………………………………………………………………………………

d) …………………………………………………………………………………………………………………………………………….

2. Name any four occupations that are found at the extractive level of production. (4mks)

a) ………………………………………………………………………………………………………………………………………………

b) …………………………………………………………………………………………………………………………………………….

c) ………………………………………………………………………………………………………………………………………………

d) ……………………………………………………………………………………………………………………………………………..

3. The table below describes goods produced in a country. Name the goods described below; (4mks)

|  |  |
| --- | --- |
| **Description of goods** | **Classification** |
| 1. Goods used to produce other goods |  |
| 1. Goods for final use by the consumers |  |
| 1. Goods offered freely by the state |  |
| 1. Goods still in the production process |  |

4. State four benefits of SACCOs to members. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) …………………………………………………………………………………………………………………………………………….

c) ………………………………………………………………………………………………………………………………………………

d) ………………………………………………………………………………………………………………………………………………

5. Highlight four features of a parastatal. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) ………………………………………………………………………………………………………………………………………………

c) ………………………………………………………………………………………………………………………………………………

d) …………………………………………………………………………………………………………………………………………….

6. State the principle of insurance described in the statements given below. (4mks)

a) Restoring the insured’s financial position after suffering loss from an insured risk

………………………………………………………………….

b) Existence of a very close relationship between the losses suffered and insured risk.

…………………………………………

c) The insurer taking ownership of the remains of the remains of the destroyed property after the insured is duly compensated…………………………………………………………….

d) Proof that the insured will suffer direct financial loss if the property is destroyed

…………………………………………………………..

7. Give four measures that the government may take to create employment for the youth. (4mks)

a) ………….…………………………………………………………………………………………………………………………………

b) …………………………………………………………………………………………………………………………………………….

c) ………………………………………………………………………………………………………………………………………………

d) ………………………………………………………………………………………………………………………………………………

8. Outline four channels of distribution that a local farmer may use to distribute her farm produce locally. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) …………………………………………………………………………………………………………………………………………….

c) ………………………………………………………………………………………………………………………………………………

d) ………………………………………………………………………………………………………………………………………………

9. The following is a format of the credit side of a three column cash book

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | (a) | (b) | (c) | (d) |
|  |  |  |  |  |

Name the columns labeled a, b, c and d (4mks)

a) …………………………………………………………………………………………

b)……………………………………………………………………………………………

c)……………………………………………………………………………………………

d)……………………………………………………………………………………………

10. Give four assumptions associated with the circular flow of income in a two sector economy. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) ……………………………………………………………………………………………………………………………………………….

c) ……………………………………………………………………………………………………………………………………………….

d) ……………………………………………………………………………………………………………………………………………….

11. State four challenges that a business without a plan will encounter in its operations. (4mks)

a) ……………………………………………………………………………………………………………………………………………….

b) ………………………………………………………………………………………………………………………………………………

c) ……………………………………………………………………………………………………………………………………………….

d) ……………………………………………………………………………………………………………………………………………….

12. Outline four circumstances under which gaps in the market may be identified. (4mks)

a) …………………………………………………………………………………………………………………………………….

b) ……………………………………………………………………………………………………………………………………..

c) ………………………………………………………………………………………………………………………………………..

d) ………………………………………………………………………………………………………………………………………

13. Outline any four trends in product promotion. (4mks)

a) ……………………………………………………………………………………………………………………………………….

b) ………………………………………………………………………………………………………………………………………..

c) ………………………………………………………………………………………………………………………………………..

d) ………………………………………………………………………………………………………………………………………

14. Highlight four functions of commercial attaches. (4mks)

a) …………………………………………………………………………………………………………………………………….

b) ……………………………………………………………………………………………………………………………………..

c) ………………………………………………………………………………………………………………………………………..

d) ………………………………………………………………………………………………………………………………………

15. State four types of internal economies of scale to a firm. (4mks)

a) …………………………………………………………………………………………………………………………………….

b) ……………………………………………………………………………………………………………………………………..

c) ……………………………………………………………………………………………………………………………………….

d) ………………………………………………………………………………………………………………………………………

16. Outline four reasons why an organization needs to file its documents. (4mks)

a) …………………………………………………………………………………………………………………………………….

b) ……………………………………………………………………………………………………………………………………..

c) ……………………………………………………………………………………………………………………………………….

d) ………………………………………………………………………………………………………………………………………

17. For each of the following source documents, name the relevant book of original entry. (4mks)

Source document Book of original entry

a) Invoice issued

b) Credit note received

c) Cheque received

d) Invoice received

18. Sherry traders had the following assets and liabilities as at 1st January 2004

SHS

Furniture 350,000

Debtors 45,000

Cash 7,000

Creditors 48,000

During the year the following were realized

i) Additional capital was Sh. 24,000

ii) Drawings were Sh. 20,000

iii) Net profit was Sh. 34,000

Determine the capital as at 31st December 2004 (4mks)

19. State four characteristics of money

a) …………………………………………………………………………………………………………………………………………….

b) ………………………………………………………………………………………………………………………………………….

c) ……………………………………………………………………………………………………………………………………………

d) ……………………………………………………………………………………………………………………………………………

20. Calculate the gross profit given the margin of 1/6 and the cost of goods sold is Ksh.400,000 (4mks)

21. The following information was extracted from the records of Kimani Traders for the month of January 2022. Record in the relevant book of original entry. (4mrks)

January 2nd: Bought a motor car on credit from Onyango enterprises worth Ksh. 250,000.

22. Record the following transactions in the respective ledger accounts:

January 1st: Returned goods worth Ksh. 5000 to Mary Mount Wholesalers

January 3rd: Bought goods on credit from Kanze worth Ksh. 6000.

23. Show the effect of each of the following transactions on the capital, liabilities and assets indicating whether it is an increase, a decrease or no effect. (4mks)

|  |  |  |  |
| --- | --- | --- | --- |
| Transaction | Capital | Assets | Liabilities |
| a) Converted private land into business land |  |  |  |
| b) Paid creditors in cash |  |  |  |
| c) Sold goods on credit |  |  |  |
| d) Sold a business van valued at Shs.600,000 for Shs.400,000 on credit |  |  |  |

24. Outline four measures that the government may take to attract firms to an area. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) …………………………………………………………………………………………………………………………………………….

c) ……………………………………………………………………………………………………………………………………………

d) …………………………………………………………………………………………………………………………………………….

25. Outline four factors that may negatively affect the demand for a product. (4mks)

a) …………………………………………………………………………………………………………………………………………….

b) …………………………………………………………………………………………………………………………………………….

c) ………………………………………………………………………………………………………………………………………………

d) …………………………………………………………………………………………………………………………………………….