**565/1- Business Studies- Paper- 1**

**Time -2 Hours**

**Name …………………………………………….……… Index Number…………………………..**

**Candidate’s Signature ………………….…...……….. Date ………………………………**

**INSTRUCTIONS TO CANDIDATES**

1. Write your name and Index number in the spaces provided above.
2. Write the date of examination in the spaces provided above.
3. Answer **ALL** the questions.
4. **ALL** answers must be written in the spaces provided in this booklet.
5. Do not remove any pages from this booklet.
6. This paper consists of **8** printed pages.
7. Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

**FOR EXAMINER’S USE ONLY**

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

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| **Question** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** |
| Marks |  |  |  |  |  |  |  |  |  |  |  |  |

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Turn over

1. Outline **four** elements that comprise the internal environment of a business. (4 marks)

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1. Highlight **four** ways in which the nature of goods influences the choice of the method of transport

(4 marks)

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1. Outline **four** factors that may positively influence the level of national income in Kenya. (4 marks)

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1. Identify **four** characteristics of a country that maybe undergoing a persistent rise in general price levels. (4marks)

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1. Identify **four** ways that an office can be used in an organization (4marks)

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1. The following balances were extracted from the books of Penuel Traders for the month ended 31 December 2011.

Shs

**Sales 210,000**

**Purchases 120,000**

**Capital 220,000**

**Motor van 150,000**

**Expenses 80,000**

**Equipment 60,000**

**Debtors 40,000**

**Creditors 20,000**

Prepare trial balance of Penuel Traders for the month ended 31 December 2011. [4marks]

1. Highlight **four** benefits that could accrue to a customer who buys goods from Nakumatt Stores (4 marks)

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1. State **four** reasons why one would prefer an email to a telephone conversation to send a message. (4marks)

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1. Highlight four roles of entrepreneurship to an economy. (4marks)

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1. Outline **four** strategies that a small- scale firm would adopt to expand so as to benefit from economies of scale. (4marks)

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1. The following are descriptions of accounts available to customers in the Kenyan banking industry. Give the account that corresponds to each of the descriptions given below. [3marks]

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|  | **Description** | **Type of account** |
| (a) | Account holders require depositing a specific initial amount as well as maintaining a minimum balance. |  |
| (b) | Account holder may deposit and withdraw money whenever they want without maintaining a minimum balance. |  |
| (c ) | Banks pay interest on deposit at comparatively higher rates. |  |

1. On the diagram below show the effect of a decrease in the cost of production (4marks)

1. The following information relates to Wanjau enterprises as at 31st December 2011. (4marks)

SHS

**Closing capital 700,000**

**Net loss 90,000**

**Additional investment 90,000**

**Drawings 30,000**

Calculate Wanjau’s initial capital.

1. Outline **four** circumstances under which rail transport may be preferable to road transport. (4marks) (i)……………………………………………………………………………………………………………

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1. For each of the following transactions in the table below, indicate in the spaces provided, the source document from which the transaction would be recorded [4marks]

|  |  |  |
| --- | --- | --- |
| No. | Transaction | Source document |
|  | Sales of goods on credit |  |
|  | Correction of undercharges |  |
|  | Goods returned |  |
|  | Credit purchases. |  |

1. Give **four** factors affecting birth rate in a country (4marks)

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1. List **four** principles that do not relate to life insurance.

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1. Highlight **four** assumptions of monopolistic competition. (4marks)

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1. Outline **four** benefits that may accrue to a multi-national business that uses video-conferencing meetings over the traditional ways of holding meetings among managers (4 marks)

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20. Highlight **four** statutes that the government has enacted in order to protect consumers. (4 marks)

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21. Outline **four** advantages of setting up a franchise. (4marks)

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22 Pox’s books of accounts had the following balances on 31st July 2010.

Shs

Cash in hand 20,000

Debtors’ 40,000

Bank overdraft 140,000

The following transactions took place in the months of September:

September 2: Cash sales of Shs. 300, 000 of which Shs. 200, 000 was paid

by cheque.

6: Received a cheque of Shs. 180,000 from Omollo after allowing him a 10% Cash discount

14: Juma a debtor, settled his account of Shs. 60, 00 by cheque less 5% cash discount.

26: Paid insurance cost of Shs. 20, 000 by cheque.

29: Took all cash to the bank leaving a balance of Shs. 20,000.

**Required:**

Extract a **three** column cashbook and balance it off. (5marks)

23.The following balances were extracted from the books Ongwete retailers for the year ended 31 March 2011.

Shs

Sales 1,000,000

Purchases 640,000

Opening stock (1.1.2011) 160,000

Closing stock (31.12.2011) 80,000

Debtors 280,000

Creditors 180,000

Calculate

1. Margin
2. Current ratio
3. Rate of stock turnover [4marks]

24.Highlight the **four** major stages of a commercial transaction. (4marks)

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25. Outline **four** advantages of drilling oil in Kenya. (4marks)

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