

NAME _____

INDEX NUMBER _____

SIGNATURE _____

DATE _____

565/1
BUSINESS STUDIES
PAPER 1
TIME: 2 HRS
JULY/AUGUST 2014

UGENYA/UGUNJA DISTRICTS EVALUATION TEST
KENYA CERTIFICATE OF SECONDARY EDUCATION (KCSE)

BUSINESS STUDIES
Paper 1
JULY/AUGUST 2014
Time: 2 hours

INSTRUCTIONS TO CANDIDATE

- a) Write your name and index number and the name of your school in the spaces provided at the top of this page
- b) Sign and write the date of examination in the spaces provided above.
- c) This paper consists of 25 questions
- d) Answer **all** the questions in the spaces provided in this booklet.

FOR EXAMINERS USE ONLY

QUESTION	1	2	3	4	5	6	7	8	9	10	11	12
MARKS												

QUESTION	13	14	15	16	17	18	19	20	21	22	23	24	25
MARKS													

TOTAL MARKS

This paper consists of 8 printed pages.
Candidates should check the question paper to ascertain that all the pages are printed and that no questions are missing.

1. For each of the following factors, state whether they are found in the internal or external business environment. (4 marks)

FACTOR	INTERNAL /EXTERNAL
i) Legal requirements	
ii) Market competition	
iii) Human resource management	
iv) Business organization structure	

2. Highlight four reasons why a businessman should prepare a business plan (4 marks)

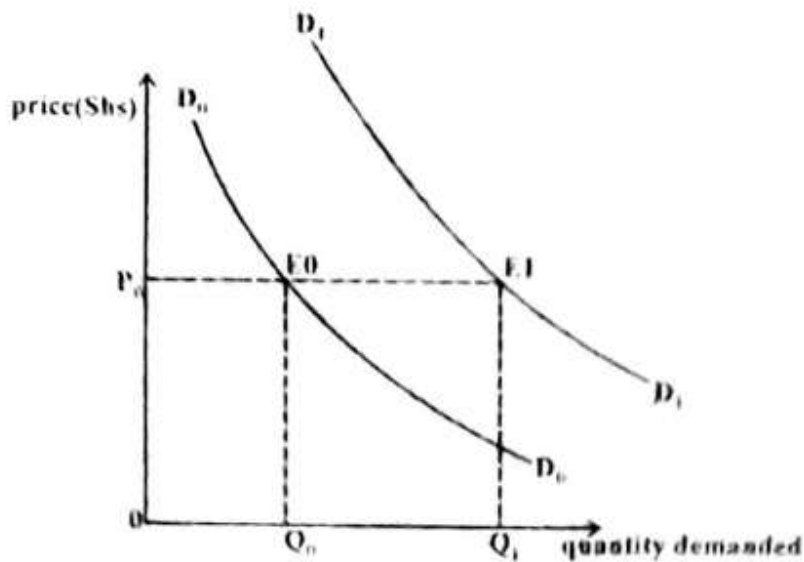
- i)
- ii)
- iii)
- iv)

3. State four ways in which the government may create an enabling environment for business. (4 marks)

- i)
- ii)
- iii)
- iv)

4. Mukami insured her house worth sh. 500,000 for sh. 300,000 against fire. The house later caught fire and part of the house worth 250,000 was destroyed. How much did Mukami receive as compensation from the insurance company (4 marks)

5. The figure below shows a shift in demand curve of water melons in Yala in February



Outline four factors that may have caused the shift in the demand curve above from D_0D_0 to D_1D_1 (4 marks)

- i)
- ii)
- iii)
- iv)

6. The following information relates to Ugunja Traders.

	Shs
Purchases	2,700,000
Returns outwards	600,000
Opening stock	1,200,000
Closing Stock	500,000
Margin	$\frac{2}{7}$

Calculate

i) Cost of sales (2 marks)

ii) Gross profit (2 marks)

7. Outline four criteria used in determining the size of a firm

(4 marks)

- i)
- ii)
- iii)
- iv)

8. Mention the withdrawals and injections in the circular flow of income

Withdrawals	Injections

9. Highlight four reasons why a businessman would use a hand cart to carry goods instead of a pick-up (4 marks)

- i)
- ii)
- iii)
- iv)

10. The following day books are prepared using some source documents. Identify the source document that relates to each of the day books. (4 marks)

Day book	Relevant source document
i) Purchases day book	
ii) Sales day book	
iii) Purchases returns day book	
iv) Sales returns day book	

11. Record the following transactions in the ledger accounts of Kamau traders on 4th and 5th February 2014

- 4/2/2014 Started business with sh. 1,000,000 in cash.
- 5/2/2014 Bought stock sh 50,000 on credit.

(4 marks)

12. Onyango is a potential entrepreneur. Outline four reasons why he is likely to form a business alone rather than join hands with his friends to start a business. (4 marks)

- i)
- ii)
- iii)
- iv)

13. List any four expenses a middleman would incur in the chain of distribution. (4 marks)

- i)
- ii)
- iii)
- iv)

14. Highlight four disadvantages of an ageing population (4 marks)

- i)
- ii)
- iii)
- iv)

15. The following information shows the financial position of Ochoro Traders as at 1st May 2010

	shs
Cash in hand	40,000
Rent owing	12,000
Furniture	110,000
Debtors	20,000
Stock	60,000
Trade creditors	38,000
Bank overdraft	50,000

Required

Prepare the balance sheet of the business as at 1st May 2010.

(5 marks)

16. List four contents of a Local Purchase Order (LPO) as used in home trade.

(4 marks)

- i)
- ii)
- iii)
- iv)

17. Highlight four factors that influence the amount of money that an individual or a firm may hold for transaction motive.

(4 marks)

- i)
- ii)
- iii)
- iv)

18. Identify any four new trends in product promotion in Kenya.

(4 marks)

- i)
- ii)
- iii)
- iv)

19. List four of direct taxes.

(4 marks)

- i)
- ii)
- iii)
- iv)

20. The following are descriptions of certain types of inflation. Indicate the appropriate type of inflation described in each case. (4 marks)

Description	Type of inflation
i) Uneven growth in some sectors of the economy which causes rise in prices	
ii) Increased money supply which increases prices.	
iii) Citizens buying expensive goods from foreign countries which leads to increase in prices.	
iv) Increased costs of factors of which lead to rise in prices.	

21. Outline four challenges experienced by traders who participate in international trade. (4 marks)

- i)
- ii)
- iii)
- iv)

22. Highlight four services that are offered by retailers to producers. (4 marks)

- i)
- ii)
- iii)
- iv)

23. Highlight four factors that may interfere with the effectiveness of face to face communication (4 marks)

- i)
- ii)
- iii)
- iv)

24. Kenya is yet to realize its vision 2030 plan. Outline any four factors that can hinder Kenya from realizing this vision. (4 marks)

- i)
- ii)
- iii)
- iv)

25. Outline four conditions that may make it difficult for an individual to satisfy his wants. (4 marks)

- i)
- ii)
- iii)
- iv)