565/1

## BUSINESS STUDIES

## PAPER 1

## TIME: 2 HOURS

## MACHAKOS COUNTY KCSE TRIAL AND PRACTICE

## EXAM 2015

1. Outline FOUR features that constitute a market.
2. The following diagram represents demand and supply of a product.

(a) State what is represented by curves
ap $\qquad$
bq $\qquad$
letter c $\qquad$
(b) On the diagram, indicate equilibrium price (PE) and equilibrium quantity ( QE )
(4 Marks)
3. Outline FOUR advantages of after sales services as a method of sales promotion to a customer. (4 Marks)
4. Give FOUR reasons why a consumer should satisfy basic wants before secondary wants.
5. Outline FOUR reasons why a multinational company may prefer setting up a production unit in developing country instead of exporting finished goods to the country.
6. State the factor of production that each of the following resources relate to:-

| Resource | Factor of production |
| :--- | :--- |
| (a) Manager |  |
| (b) Quarry |  |
| (c) Vehicle |  |
| (d) Water |  |
| (e) Owner |  |

7. In the spaces provided below, indicate with a tick $(\checkmark)$ whether each of the following statements relates to preference or ordinary shares.

| Statement | Preference | Ordinary |
| :--- | :--- | :--- |


| (a) Represents real owners of company |  |  |
| :--- | :--- | :--- |
| (b) Rate of dividends is fixed |  |  |
| (c) Has voting rights |  |  |
| (d) Redeemable |  |  |
| (e) May be cumulative |  |  |
| (f) Considered last in liquidation |  |  |

8. Outline FOUR features of trade credit as a source of finance for business units.
9. State the term that best fit each of the following description.
(a) Money brought into the business by owner
(b) Goods bought for resale
(c) Money withdrawn by owner of business for personal use
(d) Money borrowed from outsiders by owner of the business for business use
10. The following balances were obtained from the books of Jomba Traders as at $30^{\text {th }}$ July 2014

Shs.
Opening stock
50,000
Sales 360,000
Gross profit
$25 \%$ of sales
Closing stock
70,000
Calculate
(a) Cost of goods sold
(2Marks)
(b) Rate of stock turnover
11. Enter each of the following transactions in the relevant ledger accounts
(a) Started business in June $15^{\text {th }} 2014$ with Ksh. 500,000 in bank.
(b) Bought a motor vehicle in June $16^{\text {th }} 2014$ for KSh. 250,000 , payment made by a cheque.
(c) Withdrew Ksh. 50,000 in June $20^{\text {th }} 2014$ from the business bank a/c to be used in the office.
(d) June $24^{\text {th }}$, 2014, paid salaries Ksh. 18,000 cash.
12. On June $1^{\text {st }} 2015$, Kelly had KSh. 6000 cash in hand and a bank overdraft of Sh. 2000; during the month the following transactions took.
(a) Received cheques from debtors totaling to KSh. 80,000 on June $2{ }^{\text {nd }}$
(b) June $5^{\text {th }}$, paid telephone bills Sh. 1200 cash
(c) June $8^{\text {th }}$, withdrew Sh. 16000 from bank for office use.

Enter the above information in the two - column cash book given below and balance it off

Two - Column Cashbook
for the month of June 2015

| Date | Particulars | Bank | Cash | Date | Particulars | Cash | Bank |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  |  |  |  |  |  |  |  |


|  |  |  |  |  |  |  |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- |
|  |  |  |  |  |  |  |  |

13. Outline FOUR ways of curbing cost push inflation.
14. Outline FOUR circumstances under which the per capita income statistics would be a good indicator of the welfare of the citizens of country.
15. Outline FOUR challenges associated with a high ageing population in a country.
16. Outline FOUR purposes of taxation.
17. State FOUR basis of international trade
18. Outline FOUR methods that a country may use to restrict international trade.
19. State FOUR reasons why an invoice received is important in accounting.
20. Outline FOUR items that are included when computing national income using the expenditure approach.
21. Outline FOUR features of insurable risks
22. State FOUR features of chain stores.
23. Outline FOUR factors that constitute an efficient transport system.
24. State FOUR goals of development.
25. Outline FOUR disadvantages of use of Automatic Teller Machines (ATMs) in banking.
