

KCSE 2017 JKIM JOINT EXAMINATION

Kenya certificate of secondary education (K.C.S.E)

NAME.....

INDEX NO.....

SCHOOL.....

SIGNATURE.....

DATE:

565/2

BUSINESS STUDIES

Paper 1

Time: 2 ½ hours

INSTRUCTIONS TO CANDIDATES

1. Write your name, school and index number in the spaces provided above.
2. Sign and write the date of the examination in the spaces provided above.
3. This paper consists of **six** questions.
4. Answer **any five** questions in the spaces provided.
5. Each question carries **20** marks.
6. This paper consists of **3** printed pages.
7. Candidates should check to ensure that all pages are printed as indicated and no questions are missing.

FOR EXAMINER'S USE ONLY

QUESTIONS	1	2	3	4	5	6	TOTAL SCORE
CANDIDATE'S SCORE							

1. (a) with the aid a diagram explain the behavior of average cost curve in the short run for firm with fixed production capacity. (10 marks)

(b) explain five reasons why an effective system is important in an office. (10 marks)

2. (a) The following balances were obtained from the books of Njwara Traders on 1st February, 2012. Shs

Stock	5,000
Debtors	2,000
Cash in hand	4,000
Premises	80,000
Capital	66,000
Machinery	18,000
Overdraft	6,000
Creditors	12,000
Five year loan	25,000

The following transactions took place in the first week of February 2012.

i) Feb 2nd: Received from debtor's sh. 1000 by cheque.

ii) Feb 3rd: Sold goods worth Shs 2000 for Shs 4000 and

Deposited the money in the business bank account.

iii) Feb 4th: Paid Sh 1000 in cash part of the five year loan.

iv) Feb 5th: Deposited Sh 2500 in bank account from cash till.

Required:

Prepare Njwara Traders balance sheet as at 5th February, 2012 after the transactions took place. (10 marks)

(b) Explain five methods and legislations which the Kenyan government has put in place to protect consumers. (10 marks)

3. (a) Distinguish between oligopoly market and perfect competition market situations. (10 marks)

(b) Explain five benefits of "pooling of risks" to the insurance industry. (10 marks)

4. (a) discuss six **reasons** why a producer may find it necessary to advertise his products. (12 marks)

(b) explain the following types of inflation :(8 marks)

- (i). demand-pull inflation
- (ii). cost-push inflation
- (iii). imported inflation
- (iv). structural inflation

5. (a) explain five factors that may hinder development of a country. (10 marks)

(b) state and explain five contributions made by the insurance industry in the economy. (10 marks)

6. (a) explain five causes of unfavorable balance of payment for most developing countries

(b) The following information relates to Kalundu Traders for the year 2010. Shs

Turnover 270,000

Margin 40%

Rate of stock turnover 6 times

Expenses 40,000

From the above information, determine:

i) Gross profit (3 marks)

ii) Cost of goods sold (2 marks)

iii) Net profit (2 marks)

iv) Average stock (3 marks)