

NAME: ..... INDEX

NO.:.....

ADM.

NO.....

CLASS:.....

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565/1

**BUSINESS STUDIES**

PAPER 1

TIME: 2 HRS

**PAPER 1 2021**

Time 2hours

Instructions

1. Write your name, index number, school and signature in the spaces given above.
2. Sign and write the data of the examination in the spaces provided above
3. Answer all the questions. (25 questions)
4. All answers should be written in the space provided below each question.
5. Candidates should check the question paper to ascertain that all the questions are printed.
6. All questions should be answered in English.

***For official use only.***

| Question | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|----------|---|---|---|---|---|---|---|---|---|----|----|----|----|----|----|
| Marks    |   |   |   |   |   |   |   |   |   |    |    |    |    |    |    |

| Question | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|----------|----|----|----|----|----|----|----|----|----|----|
| Marks    |    |    |    |    |    |    |    |    |    |    |

**TOTAL**

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|--|

1. Situma insured his house worth sh. 800,000 for sh. 700,000 and unfortunately the house was destroyed by an inferno and he sustained losses worth sh. 600,000. Calculate the amount of money that Situma should claim from the insurance company as compensation and comment. **(4 marks)**

2. Outline **four** importance of a Bonded warehouse to the government. **(4 marks)**

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3. Outline **four** reasons why Business Studies should be offered as a discipline in secondary schools. **(4 marks)**

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4. State *four* sources of monopoly power.

**(4 marks)**

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5. The following information relates of Jabez Enterprises for the year ended 31.12.2014.

|                        | <b>Shs.</b> |
|------------------------|-------------|
| Capital 31/12/2014     | 248,000     |
| Net loss for the year  | 61,000      |
| Capital as at 1/1/2014 | 89,000      |
| Drawings for the year  | 57,000      |

**Required:**

Calculate the additional capital during the year.

**(4 marks)**

6. Indicate the effects of the following transactions below on the value of the business assets, liabilities and capital. Use (+) for increase, ( - ) for decrease and (NC) for no effect.

**(4 marks)**

|  | Transaction | Effect of transaction |             |         |
|--|-------------|-----------------------|-------------|---------|
|  |             | Assets                | Liabilities | Capital |

|     |                                            |  |  |  |
|-----|--------------------------------------------|--|--|--|
| (a) | Opened a Bank A/C and deposited cash       |  |  |  |
| (b) | Proprietor invested cash into the business |  |  |  |
| (c) | Owner received a cheque from a debtor      |  |  |  |
| (d) | Took a Bank loan to pay creditors          |  |  |  |

7. Okhiamia a metal supplier carries out a Business in Mombasa County. Outline **four** methods that they can adopt to fix the prices of all their products.

**(4 marks)**

(a)

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(b)

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(c)

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(d)

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8. Explain the following documents used in international trade.

**(4 marks)**

(a) Foreign Exchange Allocation License (F.E.A.L)

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(b) Letter of credit

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(c) Certificate of origin

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(d) Bill of lading

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9. State four benefits associated with the construction of the Standard Gauge Railway (SGR) to the Kenyan economy ( 4 marks)

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(b)

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(c)

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(d)

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10.By use of a well labeled diagram, illustrate the kinked demand curve in an Oligopolistic market situation **(4 marks)**

11. Navakholo enterprises had the following ledger account balances as at 31st December, 2020.

|                   | shs.  |
|-------------------|-------|
| Purchases         | 3,880 |
| Sales             | 3,350 |
| Purchases returns | 150   |
| Sales returns     | 160   |
| Debtors           | 2,550 |
| Bank overdraft    | 3,100 |
| Wages             | 800   |
| Cash              | 960   |
| Capital           | 1,750 |

**Required:** Prepare Navakholo enterprises' Trial Balance as at 31<sup>st</sup> December, 2020..  
(4 marks)

12. Given the following books of original entry, identify the source documents used for each.  
(4 marks)

| Book of original entry | Source document |
|------------------------|-----------------|
| (a) Purchases journal  |                 |

|                       |  |
|-----------------------|--|
| (b) Cash book         |  |
| (c) Sales return book |  |
| (d) Sales journal     |  |

13. Give four non - tax sources of revenue to the government. **(4 marks)**

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(b)

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(d)

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14. State four characteristics of good money.

**(4 marks)**

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(b)

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(c)

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(d)

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15. State four characteristics of labour as a factor of production

**(4 marks)**

(a)

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(b)

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(d)

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16. Define the following terms

**(4 marks)**

- a. Scarcity
  
  
  
  
  
  
  
  
  
  
- b. Choice
  
  
  
  
  
  
  
  
  
  
- c. Scale of preference
  
  
  
  
  
  
  
  
  
  
- d. Opportunity cost

17. Highlight four circumstances under which personal selling is appropriate

**(4 marks)**

(a)

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(b)

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(c)

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18. Outline **four** personal attributes of an office staff.

**(4 marks)**

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(b)

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(c)

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(d)

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19. Highlight **four** benefits of using mobile money transfer services as a means of payment. (4mks)

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(b)

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(c)

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20. State **four** barriers to effective communication in an organizational meeting. **(4 marks)**

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(d)

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21. Outline four measures that consumers may adopt to protect themselves from unscrupulous business practices. **(4 marks)**

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(b)

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(c)

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(d)

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22. State **four** ways in which businesses may maintain a healthy business environment. **(4 marks)**

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(b)

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(c)

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(d)

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23.State four channels that M-Zuri a flower firm in Nakuru may use to sell her products to customers in the U. S.A. **(4 marks)**

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(b)

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(c)

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(d)

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24.The following information was extracted from the books of Kaptagat traders for the year ended 31/12/2020

|               |           |
|---------------|-----------|
|               | Shs       |
| Sales         | 4,800,000 |
| Opening stock | 800,000   |
| Closing stock | 1,200,000 |

Gross profit margin is calculated at 25%

**Required:** Prepare a trading account for the period end 31/12/2020.

**(4 marks)**

25.The table below shows the price of petrol per litre for various years.

|      |            |
|------|------------|
| Year | Pump price |
| 2017 | 98         |
| 2018 | 102        |
| 2019 | 112        |

2020            120  
2021            127

Calculate the consumer price index using year 2017 as the base year. **(4 marks)**

| Year | Price | CPI           |
|------|-------|---------------|
| 2017 | 86    | <i>100</i>    |
| 2018 | 92    | <i>106.97</i> |
| 2019 | 108   | <i>125.58</i> |
| 2020 | 120   | <i>139.53</i> |
| 2021 | 127   | <i>147.67</i> |