

NAME.....INDEX NO.....

SCHOOL.....DATE.....

565/1

BUSINESS STUDIES

PAPER 1

KASSU JOINT EXAMINATION

BUSINESS STUDIES

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 mansionette 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)

$$\text{Compensation} = \frac{\text{Value of the policy}}{\text{Value of property}} \times \text{Loss}$$

$$\begin{aligned}\text{Compensation} &= \frac{700,000}{800,000} \times 600,000 \\ &= 525,000\end{aligned}$$

This is because he under insured his house.

2. Outline **four** importance of a Bonded warehouse to the government.

- (a) *Enables the checking or the quality of goods entering/leaving the country.*
- (b) *Enables the government to regulate on the quality of exports and imports.*
- (c) *Government uses it to check on illegal goods entering/leaving the country.*
- (d) *Enables the government to inspect the type and nature of goods while still under bond.*
- (e) *Enables the government to control entry of harmful goods.*
- (f) *Is a source of data on imports and exports.*
- (g) *A source of revenue to the government from customs duties.*
- (h) *Enables verification of documents for goods on transit.*

(1 x 4 = 4 marks)

3. Outline **four** reasons why Business Studies should be offered as a discipline in Kenyan secondary schools.

- (a) *Enables learners to appreciate the role played by business in the provision of goods and services.*
- (b) *Equips students with knowledge and skills needful to start and run a business comfortably.*
- (c) *Provides students with basic knowledge and skills.*
- (d) *Enables students to understand the role of government in business.*
- (e) *Enables students to relate the knowledge, skills and attitudes acquired to the day to day business activities around them.*
- (f) *Enables students to develop positive attitudes towards the environment.*
- (g) *Equips students with abilities to understand the role played by communication and information technology in modern business management.*

(1 x 4 = 4 marks)

4. State four sources of monopoly power.

- a) Control of an important input of production
- b) Ownership of production/ patent rights
- c) Internal economies of scale
- d) Size of the market
- e) Additional costs by other firms
- f) Where a group of firms combine to act as one/ merge
- g) Restrictive practices
- h) Financial factor

(1 x 4 = 4 marks)

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

Shs.

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)

$$CC = OC + I + P - D$$

$$OC = CC + NL - D - AI$$

$$89,000 = 248,000 + 61,000 - 57,000 - AI$$

$$89,000 = 252,000 - AI$$

$$A.I. = 252,000 - 89,000 = \underline{163,000}$$

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	NC	NC	NC
(b)	Proprietor invested cash into the business	+	NC	+
(c)	Owner received a cheque from a debtor	+	NC	NC
(d)	Took a Bank loan to pay creditors	NC	NC	NC

7. Okhiamia Dealers carries out a hardware Business in Mombasa County. Outline **four** methods that they can adopt to fix the prices of all their products. **(4 marks)**

- (a) *Tendering*
- (b) *Sale by auction*
- (c) *Bargaining/haggling*
- (d) *Retail price maintenance/recommended retail price*
- (e) *Price discrimination*
- (f) *Abiding by government policy*
- (g) *Price mechanism/DD + SS forces*
- (h) *Private treaty – sale of property at an agreed upon price by the seller and the buyer without an intervening agency.*
- (i) *Price collusion i.e. by cartels.*

(1 x 4 = 4 marks)

8. Explain the following documents used in international trade. **(4 marks)**

- (a) F.E.A.L(Foreign Exchange Allocation License is an import license)

Foreign Exchange Allocation License is an import license. Shows the amount of foreign exchange currency that has been allocated to an importer for the purpose of importing goods.

- (b) Letter of credit

A letter provided by the importer's bank and is send to the exporter's bank indicating that the bank will pay for the goods that the importer is buying should the buyer fail to honour the contract.

- (c) Certificate of origin

- *A document that is issued to an importer by the chamber of commerce of the country of origin.*
- *It certifies the origin of the goods.*
- *Ensures that goods are not imported from countries where embargoes have been imposed*
- *Helps to determine the duty chargeable goods from different countries attracts different customs duties.*

- (d) Bill of lading

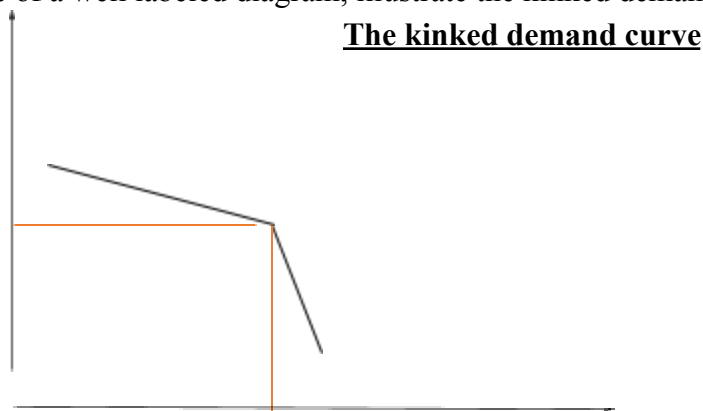
- A bill of lading is a legal document issued by a carrier to a shipper that details the type, quantity, and destination of the goods being carried.
- A bill of lading is a document of title, a receipt for shipped goods, and a contract between a carrier and shipper.

- This document must accompany the shipped goods and must be signed by an authorized representative from the carrier, shipper, and receiver.
- If managed and reviewed properly, a bill of lading can help prevent asset theft.

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

- It promotes the development of industries by facilitating the movement of raw materials and distributing finished goods*
- Promotes the development of agriculture by transporting inputs to farmers and produced goods to the market*
- Promotes regional specialisation by transporting the goods produced to the market thereby encouraging the continued production of such goods*
- Facilitates the delocalisation of industries hence creating job opportunities in the counties.*
- Facilitates the movement of workers and business people from one place to another*
- Promotes the movement of people within the country creating peace and understanding*
- Facilitates the disposal of surplus goods hence avoiding wastage*
- Promotes tourism by transporting tourists to tourist attraction sites*

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



11.

Navakholo Enterprises
Trial Balance
As at 31st December 2020

	<i>Dr</i>	<i>Cr</i>
	<i>Sh.</i>	<i>Sh.</i>
<i>Purchases</i>	3 880	
<i>Capital</i>		1 750
<i>Bank overdraft</i>		3 100
<i>Sales</i>		3 350
<i>Sales returns</i>	160	

<i>Debtors</i>	<i>2 550</i>	
<i>Purchases returns</i>		<i>150</i>
<i>Wages</i>	<i>800</i>	
<i>Cash in hand</i>	<i>960</i>	
	<i><u>8,350</u></i>	<i><u>8,350</u></i>

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

Book of original entry	Source document
(a) Purchases journal	<i>Incoming invoice</i>
(b) Cash book	<i>Receipt/Bank slips</i>
(c) Sales return book	<i>Credit note issued</i>
(d) Sales journal	<i>Outgoing invoice</i>

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

- *Fines imposed by courts on offenders*
- *Rent and rates paid for using government property*
- *License fees paid by those who want to operate businesses*
- *Dividends and profits earned from government direct investments*
- *Interests earned on loans advanced by the government to firms*
- *Proceeds from sale of government property*
- *Government borrowing*

14. State four characteristics of good money. (4mks)

Features/ characteristics of Money

For anything to serve as money, it must have the following characteristics:

- ✓ ***Acceptability: The item must be acceptable to everyone.***
- ✓ ***Durability: The material used to make money must be able to last long without getting torn, defaced or losing its shape or texture.***
- ✓ ***Divisibility: Money should be easily divisible into smaller units (denominations) but still maintains its value.***

- ✓ **Cognizability:** *The material used to make money should be easily recognized. This helps reduce chances of forgery. It also helps people to differentiate between various denominations.*
- ✓ **Homogeneity:** *Money should be made using a similar material so as to appear identical. This eliminates any risk of confusion and forgeries.*
- ✓ **Portability:** *- Money should be easy to carry regardless of its value.*
- ✓ **Stability in value:** *The value of money should remain fairly stable over a given time period.*
- ✓ **Liquidity:** *- it should be easily convertible to other forms of wealth (assets).*
- ✓ **Scarcity:** *- It should be limited in supply. If it is abundantly available its value will reduce.*
- ✓ **Malleability-** *the material used to make money should be easy to cast into various shapes.*
- ✓ **Not easy to forge-** *money should not be easy to imitate.*

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

(4mks)

- a) *It is a basic factor of production*
- b) *It cannot be stored*
- c) *It cannot be separated from the labourer*
- d) *It is saleable*
- e) *It is human, with ability to think and capacity to get annoyed*
- f) *Labour is mobile i.e. a labourer can move from one place to another or from one profession to another.*

16. Define the following terms

a. Scarcity

Scarcity: *refers to a limitation in supply of economic resources in relation to the unlimited wants*

b. Choice

Choice: *refers to selection of the human wants to be satisfied using the scarce resources*

c. Scale of preference

Scale of preference: *refers to a list of unsatisfied wants arranged in order of priority*

d. Opportunity cost

Opportunity cost: *this is the value or alternative foregone in order to satisfy an equally competing want*

17. Highlight four circumstances under which personal selling is appropriate

(4mks)

Circumstances under which personal selling is suitable

- a) *When introducing a new product*
- b) *Where demonstration on the use of the product is required*
- c) *When the product is expensive and durable e.g. cars*
- d) *Where the market consists of a few customers who can be easily accessed*
- e) *When the product is designed to meet customers' specifications*

- f) *When the firm can afford to hire sales persons*
- g) *When the customers are concentrated in one area.*

18. Outline **four** personal attributes of an office staff. (4mks)

- a) *Physical appearance*
- b) *Hygiene*
- c) *Posture*
- d) *Moral behavior*
- e) *Good health*

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

- a. *Confidentiality-The secret PIN protects the value in the customer's account*
- b) *Ease of use-The service is easy to use as the agents assists to carry out transaction*
- c) *Speed-Money transfer is an instant service conveyed to the receiver via the short message service(SMS)*
- d) *Convenience-The service is convenient to both the sender and the receiver, as they only need to go to the nearest agent(money can be sent/deposited or received anywhere)*
- e) *Accessibility-The agents e.g. m-pesa agents are located in most parts of towns and also in rural areas. Money can hence be sent and received anywhere and anytime.*
- f) *Affordability-The service charges are very low for registered users and very affordable for non-registered users*
- g) *Security-Relatively secure when the sender uses the correct phone number of the receiver.*

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

- a) *When there is Noise*
- b) *Emotional response*
- c) *Poor listening*
- d) *Negative attitude*
- e) *Prejudgment*

21 Outline four measures that the consumers may protect themselves from unscrupulous business practices. (4mks)

- a) *Taking to court/suing traders who exploit them.*
Forming consumer's co-operatives where they buy goods at fair prices.
- b) *Forming consumer associations to safeguard their interest by getting and spreading information on their rights as consumers.*
- c) *Boycotting or refusing to buy goods from traders who exploit them.*
- d) *Tasting goods before buying and selling them.*

e) *Checking information on goods before buying*

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

- a) *Ensuring they produce quality goods and services*
- b) *Charging affordable prices for their goods and services*
- c) *Putting up quality structures*
- d) *Observing proper waste disposal so as not to degrade the environment*
- e) *Observing government laws and regulations – paying taxes on time*
- f) *Paying their employees a just wage and on time*
- g) *Engaging in legally acceptable businesses*
- h) *Upholding business contracts*

23. State four channels that M-Zuri a flower firm in Nakuru may use to sale her products to customers in the United Kingdom. (4mks)

- a) *Local Producer (M zuri) → Producer agent → wholesaler →retailer →foreign consumer.*
- b) *Local Producer (M zuri)) → Government agent →retailer → foreign consumer.*
- c) *Local Producer (M zuri)) → wholesaler →retailer →foreign consumer.*
- d) *Local Producer(M zuri)) →Retailer → Foreign consumer*
- e) *Local Producer(M zuri)) → Foreign consumer*
- f) *Local producer(M zuri)) → wholesaler →foreign consumer*

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 endd 31/12/2020.

(4mks)

Kaptagat traders
Trading account as at 31/12/2020
For year ended 31/12/2020

<i>Op. stock</i>	<i>800,000</i>	<i>Sales</i>	<i>4,800,000</i>
<i>Add Purchases</i>	<i><u>4,000,000</u></i>		
	<i>4,800,000</i>		
<i>Less Cl. Stock</i>	<i><u>1,200,000</u></i>		
<i>C.o.s</i>	<i>3,600,000</i>		
<i>Gross profit</i>	<i><u>1,200,000</u></i>		
	<i><u>4,800,000</u></i>		<i><u>4,800,000</u></i>

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.

(4mks)

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>