

**4.28 BUSINESS STUDIES (565)****4.28.1 Business Studies Paper 1 (565/1)**

1. Ways in which Business Studies may benefit an individual include:

- (a) Equips the individual with skills and knowledge to manage a business.
- (b) Prepares one for future career in business.
- (c) Enables one to relate issues affecting business to its environment.
- (d) Enables one to relate issues affecting business activities taking place globally.
- (e) Enables one to identify business opportunities to venture into.
- (f) Prepares one for further studies.
- (g) Enables an individual to think creatively and make sound judgement.
- (h) Makes an individual to appreciate the role of government in business.
- (i) Makes individual disciplined and have positive attitude towards work.

**Any 4 x 1 = 4 marks**

2. External factors that may influence the operations of a business negatively include:.

- (a) Unfair competition.
- (b) Inadequate technology.
- (c) Unstable political environment.
- (d) Unstable economic environment.
- (e) Unfavourable legal framework.
- (f) Unreliable supply system.
- (g) Strong consumer bargaining power.
- (h) Poor physical facilities and infrastructure.
- (i) Low population level.
- (j) Insecurity.
- (k) Unfavourable socio-cultural environment.
- (l) Natural calamities.

**Any 4 x 1 = 4 marks**

3. Characteristics of a successful entrepreneur include:-

- (a) Innovative and creative.
- (b) Hardworking.
- (c) Goal-oriented/desires to achieve.
- (d) Time conscious.
- (e) Self confident.
- (f) Risk taker.
- (g) Good decision maker.
- (h) A good net worker.
- (i) A good communicator.
- (j) Should be ethical.
- (k) Should be flexible.
- (l) Future oriented.

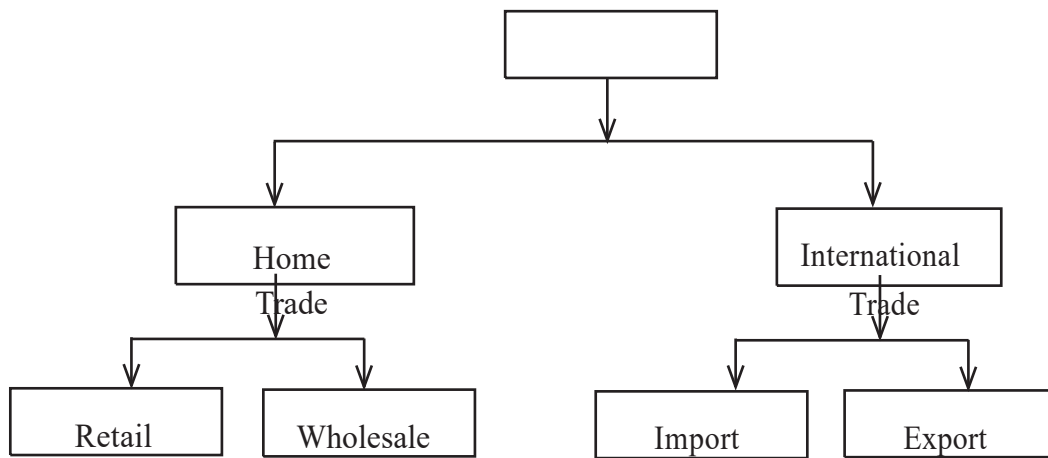
**Any 4 x 1 = 4 marks**

4. Functions of the office include:

- (a) Collecting information.
- (b) Receiving information.
- (c) Storing information.
- (d) Distributing information.
- (e) Production and reproduction of documents.
- (f) Centre for administration.
- (g) Mailing.
- (h) Communication centre.
- (i) safeguarding and controlling

Any 4 x 1 = 4 marks

5.



6x = 3 marks

- 6.
- (a) Households.
  - (b) Households.
  - (c) Firms.
  - (d) Firms.

4x1 = 4 marks





7.

**Wekesa Traders**  
**Trial Balance**  
**As at 31st December, 2009**

Details	Dr	Cr
Capital		500,000
Buildings	200,000	
Cash in hand	20,000	
Furniture	25,000	
Motor vehicle	400,000	
Creditors		18,000
Debtors	36,000	
Bank	100,000	
Bank Loan		263,000
	781,000	781,000

**10 x  $\frac{1}{2}$  = 5 marks**

8. Determining owner's capital.

$$\begin{aligned} C &= A-L \\ &= 2,240,000 - 750,000 \\ &= 1,490,000 \end{aligned}$$

**4x1 = 4 marks**

9. (a) Cyclical unemployment.  
(b) Disguised/hidden unemployment.  
(c) Structural unemployment/technological.  
(d) Voluntary unemployment/real wage.

**4x1 = 4 marks**

10. Circumstances under which the capital of a business may change are:-

- (a) When the business makes profit.  
(b) When the business makes losses.  
(c) When the owner draws cash/goods for personal use/drawings.  
(d) When the owner makes additional investment into the business/additional capital.

**4x1 = 4 marks**

11. Meaning of the entries:

- (a) Bank overdraft.  
(b) Contra entry.  
(c) Cash received from debtor.  
(d) Closing cash in hand.

**4x1 = 4 marks**

12. (a) When correcting undercharge.  
 (b) When demanding payment for goods supplied.  
 (c) When correcting an overcharge for goods supplied/empty packaging returned/  
 goods returned.  
 (d) When replying to a specific letter of inquiry.
- 4x1 = 4 marks**
13. Documents that may be required by the registrar of companies in order to register a public limited company include:-
- (a) Articles of Association.  
 (b) Memorandum of Association.  
 (c) Prospectus.  
 (d) List of directors.  
 (e) Declaration.  
 (f) Statement signed by directors.
- Any 4 x 1 = 4 marks**
14. Measures that a country can take to reduce the level of inflation include:
- (a) Increase income taxes to reduce the disposable income available to consumers.  
 (b) Reduce government expenditure.  
 (c) Introduce compulsory saving schemes like Pension Fund.  
 (d) Reduce exports.  
 (e) Enforce wage guidelines to control wage increase.  
 (f) Control prices by legislation.  
 (g) Increase interest rates on loans.  
 (h) Increase imports in case of shortages.  
 (i) Raising the margin requirements.  
 (j) Regulate printing and minting of money.  
 (k) Use of buffer stocks to stabilize prices.
- Any 4 x 1 = 4 marks**
15. Factors that may make a producer to by pass the wholesaler when distributing goods include:-
- (a) Having own retail outlet.  
 (b) Dealing in perishable goods like bread which require shorter channels.  
 (c) Dealing in technical goods which require elaborate after sales services.  
 (d) Consumers and retailers buying in large quantities.  
 (e) Need to keep price of goods low.  
 (f) Limited geographical spread of the market.  
 (g) Government policy.  
 (h) When the production is in small quantity.  
 (i) Where the producer has enough storage facilities.  
 (j) When goods are produced on order.
- Any 4 x 1 = 4 marks**



16. Benefits that a country would get by developing her infrastructure include:-

- (a) Attraction of foreign investment.
- (b) Creation of employment opportunities.
- (c) Improved security.
- (d) Improved health.
- (e) Increased production levels.
- (f) Enhanced movements of goods and services.
- (g) Increased per capital/ income.
- (h) Increased exploitation of available resources.
- (i) Increased entrepreneurial activities.
- (j) Easier/faster communication.
- (k) Reduced cost of production.
- (l) Enhanced industrialization.
- (m) Equitable development.

**Any 4 x 1 = 4 marks**

17. Benefits of a bonded warehouse to the government include:-

- (a) A source of data for planning purposes.
- (b) Enable the government to control entry of harmful goods.
- (c) Enable the government to inspect goods while still under bond.
- (d) Enables the government to regulate the quantity of imports.
- (e) The government uses it to check illegal goods entering the country.
- (f) A source of revenue from customs duty.
- (g) Enable verification of documents on transit.
- (h) Enable checking of the quality of goods.

**Any 4 x 1 = 4 marks**

18. Qualities of a successful sales person include:-

- (a) Has adequate product knowledge.
- (b) Is a good communicator.
- (c) Is sensitive to customer needs.
- (d) Has a high sense of integrity/honesty.
- (e) Is presentable (neat and well groomed).
- (f) Is persuasive.
- (g) Has a high level of commitment.
- (h) Good listener.
- (i) Have good command of language.
- (j) Polite and courteous.
- (k) Persistent and patient

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19. Factors that may cause the supply curve to shift to the right include:-

- (a) Reduced cost of production.
- (b) Bumper harvest.
- (c) Increase in the price of complementary goods.
- (d) Government incentives to producers e.g. subsidy.
- (e) Entry of new firms into the market.
- (f) Reduced price of substitute goods.
- (g) Improved production methods.
- (h) Reduced incidences of industrial strikes.
- (i) Availability of the factors of production.
- (j) Future expectation of a fall in price.

**Any 4 x 1 = 4 marks**

20. Positive effects that production activities may have on community health include:-

- (a) Provision of safe products.
- (b) Provision of clean water.
- (c) A source of income which can be used to access medical services.
- (d) Provision of labour/occupation which leads to reduced stress and a chance to keep fit while working.
- (e) Provision of health facilities as a social responsibility.
- (f) Provision of recreational facilities.
- (g) Provision of health education to fight against diseases.
- (h) Provision of sewerage disposal plants which boosts community sanitation.
- (i) Planting trees to modify the environment.

**Any 4 x 1 = 4 marks**

21. Basic features of a market include:-

- (a) Availability of buyers.
- (b) Availability of goods/services.
- (c) A platform for conducting transactions.
- (d) Availability of sellers.
- (e) Availability of medium of exchange.
- (f) Freedom to buy and sell.

**Any 4 x 1 = 4 marks**

22. Features of a parastatal include:-

- (a) Provide essential services.
- (b) Not profit motivated.
- (c) Is formed by an Act of Parliament.
- (d) Is mainly funded by the government.
- (e) Is managed by government appointees.
- (f) Any surplus earned is surrendered to the government.
- (g) Has limited liabilities.
- (h) Attachment to a government ministry.
- (i) Can be dissolved only through an act of parliament.

**Any 4 x 1 = 4 marks**

23. Circumstances in which the government may be involved in business include:-

- (a) When a business venture requires investment of large sums of money which individual entrepreneurs may not provide.
- (b) When the goods or services to be provided are essential to the welfare of the citizens.
- (c) When there is need to protect citizens from exploitation by private entrepreneurs.
- (d) When the government desires to create employment for the citizens.
- (e) When the government needs to generate income through revenue collection.
- (f) When there is need to safeguard national security.
- (g) When the venture is strategic but provides low profits hence unattractive to private investors.
- (h) Where there are monopolies in the economy, the government gets involved in business to increase competition.
- (i) Where there is need to balance regional development.
- (j) To reduce foreign dominance in the economy.
- (k) Where there is need to attract foreign investment.

**Any 4 x 1 = 4 marks**

24. Factors that a trader may consider when choosing a means of transport include:-

- (a) Nature of goods - whether they are bulky, perishable or fragile.
- (b) Speed/urgency - where goods are to be delivered quickly.
- (c) Cost of transport - should be economical.
- (d) Distance to be covered.
- (e) Availability of the means.
- (f) Packaging requirements for the goods.
- (g) The risks involved.
- (h) Availability of terminals.
- (i) Reliability of the means.
- (j) Flexibility.
- (k) Comfortability.
- (l) Need for special services.

**Any 4 x 1 = 4 marks**

25. Reasons for privatizing public corporations.

- (a) To improve efficiency in their operations.
- (b) To generate revenue to the government through sale of shares and taxes.
- (c) To enhance competition.
- (d) To increase public participation in economic activities of the country.
- (e) To reduce government expenditure.
- (f) To comply with conditions set by development partners and international donor agencies.
- (g) To enable the government to concentrate on other state responsibilities.
- (h) To minimize political interference.

**Any 4 x 1 = 4 marks**