

## 5.5 BUSINESS STUDIES (565)

## 5.5.1 Business Studies Paper 1 (565/1)

1.	<p><b>Class of human wants satisfied by the commodity or service given in the table:</b></p> <p>(a) basic            (b) secondary            (c) basic            (d) basic            (e) secondary            (f) secondary            (g) basic            (h) secondary</p>	(8 x ½) = 4 marks)																														
2.	<p><b>Factors that make office managers to communicates to their staff in writing include:</b></p> <p>(a) Confidentiality. The confidentiality of the message is enhanced by written means.            (b) Accuracy. The message is delivered in its original form without distortion.            (c) Completeness of message. Written forms may be able to pass detailed illustrations.            (d) Future reference. The message may form a basis for decision making in the future.            (e) Reliability of the means. This is a trusted means of communicating in institutions.            (f) Economy. It is cost effective since it is affordable.            (g) Accessibility. It is easily accessible to all staff members.            (h) Acceptability. It is the acceptable means of official communication in institutions.            (i) Evidence. It is proof of communication.            (j) Desired impression. Show the seriousness of the message being communicated.</p>	(any 4 x 1 = 4 marks)																														
3.	<p style="text-align: center;"><b>Birika Traders            Trial Balance            As at 31/12/2014</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>DETAILS</th> <th>Dr.(Sh.)</th> <th>Cr. (sh.)</th> </tr> </thead> <tbody> <tr> <td>Furniture &amp; fittings</td> <td>234,000</td> <td></td> </tr> <tr> <td>Debtors</td> <td>67,500</td> <td></td> </tr> <tr> <td>Capital</td> <td></td> <td>157,900</td> </tr> <tr> <td>Commission earned</td> <td></td> <td>13,200</td> </tr> <tr> <td>Creditors</td> <td></td> <td>34,750</td> </tr> <tr> <td>Drawings</td> <td>21,800</td> <td></td> </tr> <tr> <td>5 year bank loan</td> <td></td> <td>114,450</td> </tr> <tr> <td>Discount received</td> <td></td> <td>3,000</td> </tr> <tr> <td></td> <td>323,300</td> <td>323,300</td> </tr> </tbody> </table>	DETAILS	Dr.(Sh.)	Cr. (sh.)	Furniture & fittings	234,000		Debtors	67,500		Capital		157,900	Commission earned		13,200	Creditors		34,750	Drawings	21,800		5 year bank loan		114,450	Discount received		3,000		323,300	323,300	(8 x ½ = 4 marks)
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4.	<p><b>Functions of an office in an organization include:</b></p> <ul style="list-style-type: none"> <li>(a) An administration centre for the organization.</li> <li>(b) The communication centre for the organization.</li> <li>(c) A centre for processing data.</li> <li>(d) Production and reproduction of documents.</li> <li>(e) Management of records.</li> <li>(f) Public relations centre for the organization.</li> <li>(g) Safe guarding of the organization's assets.</li> <li>(h) Personnel functions are coordinated from the office.</li> <li>(i) Mailing.</li> <li>(j) Distribution/dissemination of information.</li> <li>(k) Receiving and recording of information.</li> </ul>	(any 4 x 1 = 4 marks)
5	<p><b>The roles played by the Nairobi securities exchange in the Kenyan economy include:</b></p> <ul style="list-style-type: none"> <li>(a) A measure of the country's economic performance as reflected in the prices of shares.</li> <li>(b) Sets the price/value of securities based on the forces of demand and supply.</li> <li>(c) Ensures safety of transactions since the financial health of listed companies is usually verified.</li> <li>(d) Promotes economic growth through disinvestment and reinvestment</li> <li>(e) Promotes local ownership of companies through sale and purchase of shares.</li> <li>(f) Provides ready market for sale and purchase of shares hence improving liquidity.</li> <li>(g) Promotes saving and investment among the population.</li> <li>(h) Raising revenues for the government.</li> <li>(i) Creating employment.</li> <li>(j) Provide useful information for investors.</li> </ul>	(Any 4 x 1 = 4 marks)
6.	<p><b>The basic concepts in population described in the statements are:</b></p> <ul style="list-style-type: none"> <li>(a) Optimum population.</li> <li>(b) Fertility rate/birth rate</li> <li>(c) Declining population</li> <li>(d) Ageing population.</li> </ul>	(4 x 1 = 4 marks)
7.	<p><b>Circumstances under which each of the terms of trade would be applied in foreign trade are:</b></p> <ul style="list-style-type: none"> <li>(a) <b>Franco:</b> when the price quoted covers all expenses till goods reach the premises of the buyer</li> <li>(b) <b>Ex-works:</b> when the price quoted only covers the cost of production and while they are within the manufacturer's warehouse.</li> <li>(c) <b>In bond:</b> when the prices quoted covers all expenses until goods are delivered in a bonded warehouse in the country of destination.</li> <li>(d) <b>Free alongside ship (F.A's):</b> Where the price quoted cover all expenses to the point where the goods are next to the ship.</li> </ul>	(Any 4 x 1 = 4 marks)

8.	<p><b>Completing the diagram illustrating the structure of trade:</b></p> <pre> graph TD     Trade --&gt; HomeTrade["(a) Home trade"]     Trade --&gt; ForeignTrade["(b) Foreign trade"]     HomeTrade --&gt; Wholesale["(c) Wholesale"]     HomeTrade --&gt; Retail["(d) Retail"]     ForeignTrade --&gt; Import["(c) import"]     ForeignTrade --&gt; Export["(f) Export"]     </pre>	(6 x ½ = 3 marks)
9.	<p><b>Merits of using sales people to promote the sales of a particular produces include:</b></p> <ul style="list-style-type: none"> <li>(a) It gives a personal touch which elicits positive response from potential clients.</li> <li>(b) It can be used to target specific groups of customers.</li> <li>(c) It is flexible since the message can be tailored to suit the needs of each client.</li> <li>(d) Allows for demonstration on product usage.</li> <li>(e) Source of immediate feedback from the buyer.</li> <li>(f) Buyer's questions/concerns are immediately addressed.</li> <li>(g) It leads to more sales since customers may be convinced by persuasive salespeople.</li> <li>(h) Facilitates collection of data.</li> </ul>	(4 x 1 = 4 marks)
10.	<p><b>The missing values in the table are:</b></p> <ul style="list-style-type: none"> <li>(a) 458,900</li> <li>(b) 594,350</li> <li>(c) 892,735</li> <li>(d) 1,510,110</li> </ul>	(4 x 1 = 4 marks)

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11.	<p><b>Features that may indicate a country's state of underdevelopment include:</b></p> <ul style="list-style-type: none"> <li>(a) High disparities in income distribution.</li> <li>(b) High population growth rate.</li> <li>(c) Dominance of the subsistence sector.</li> <li>(d) High levels of poverty.</li> <li>(e) Low levels of savings and investment.</li> <li>(f) High levels of unemployment.</li> <li>(g) Low levels of technology.</li> <li>(h) Over reliance on developed countries.</li> <li>(i) Underutilization of natural resources.</li> <li>(j) Poor infrastructure.</li> <li>(k) High levels of illiteracy.</li> <li>(l) Poor health facilities.</li> <li>(m) Poor governance.</li> <li>(n) Outdated cultural practices.</li> </ul>	(any 4 x 1 = 4 marks)
12.	<p><b>Small scale retail business that one can run without a shop include:</b></p> <ul style="list-style-type: none"> <li>(a) hawking</li> <li>(b) peddling</li> <li>(c) road side selling</li> <li>(d) Open air market trading.</li> <li>(e) Automatic vending by use of a machine.</li> <li>(f) On-line selling.</li> </ul>	(any 4 x 1 = 4 marks)
13.	<p><b>Functions of the Department of External Trade in the Ministry of Industry, Trade and Co-operatives include:</b></p> <ul style="list-style-type: none"> <li>(a) Develop bilateral and multilateral trade agreements to accord preferential treatment to Kenyan exports.</li> <li>(b) Educating Kenyan exporters on trade regulations and practices in other countries.</li> <li>(c) Intervene on behalf of Kenyan traders in resolving trade disputes between Kenyan traders and foreign clients.</li> <li>(d) Arrange for trade fairs, shows and exhibitions for Kenyan goods in foreign countries.</li> <li>(e) Expand and diversity foreign markets for Kenyan goods.</li> <li>(f) Inform Kenyan producers on the available selling opportunities in other countries.</li> </ul>	(Any 4 x 1 = 4 marks)
14	<p><b>Factors that Chemichemi dairies would consider before selecting a channel to distribute their fresh milk include:</b></p> <ul style="list-style-type: none"> <li>(a) Length of the channel due to perishability of the milk.</li> <li>(b) The geographical spread of their customers.</li> <li>(c) The resources at the firms' disposal like milk cooling plants, distribution vans etc.</li> <li>(d) Pricing of the milk and cost of the channel.</li> <li>(e) The nature of competition.</li> <li>(f) The Prevailing market risks.</li> <li>(g) The government policy on milk distribution.</li> <li>(h) Needs to free storage space.</li> <li>(i) Reliability of the channel.</li> </ul>	(Any 4 x 1 = 4 marks)

15.	<b>Relevant books of original entry into which information extracted from the source documents would be recorded are:</b> (a) Purchases journal/Bought Journal (b) Returns inwards journal/Sales Returns Journal (c) Cash receipts journal/Cash Book. (d) Purchases journal/ Bought Journal	(Any 4 x 1 = 4 marks)										
16.	<b>Features of co-operative societies include:</b> (a) Formed by a minimum of ten members. (b) Run by a management committee. (c) Governed using by –laws. (d) Surplus/profits is distributed to members. (e) It is a separate legal entity from the members. (f) It has limited liability. (g) It has perpetual succession. (h) Its main source of capital is the shares contributed by members. (i) It is formed by people with common interests. (j) It has no maximum number of memberships. (k) No single member is allowed to own more than 5% of the share capital	(Any 4 x 1 = 4 marks)										
17.	<b>Factors which may lead to an increase in a country's national income include:</b> (a) A stable political environment. (b) Technological advancement. (c) Vibrant entrepreneurship. (d) Increased supply of skilled labour. (e) Increased access to capital. (f) Optimal utilization of available natural resources. (g) Positive attitude of citizens towards work. (h) Reduced level of subsistence sector. (i) Increased foreign investment.	(Any 4 x 1 = 4 marks)										
18.	<b>(a) Determining net purchases:</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Purchases</td> <td style="text-align: right;">84,375</td> </tr> <tr> <td>Add : Carriage in</td> <td style="text-align: right;"><u>9,170</u></td> </tr> <tr> <td></td> <td style="text-align: right;">93,545</td> </tr> <tr> <td>Less: returns out</td> <td style="text-align: right;"><u>15,520</u></td> </tr> <tr> <td>Net purchases</td> <td style="text-align: right;"><u>78,025</u></td> </tr> </table>	Purchases	84,375	Add : Carriage in	<u>9,170</u>		93,545	Less: returns out	<u>15,520</u>	Net purchases	<u>78,025</u>	(Any 6 x ½ = 3 marks)
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	<b>(b) Reasons for preparing the trading account include:</b> (i) Enables the business to determine the value/cost of goods sold in a given period. (ii) It reveals the amount of revenue generated from the sale of stock in a given year. (iii)It helps to determine whether the business has made a loss or a profit from the sale of stock in a given year. (iv)It can help gauge the performance of a business if compared across different years. (v) It can help to compare the performance of a business to that of others. (vi)Facilitate the preparation of the Profit and Loss Account.	(2 marks)										

19.	<p><b>Levels of production in which the workers belong are:</b></p> <ul style="list-style-type: none"> <li>(a) Secondary</li> <li>(b) Tertiary</li> <li>(c) Primary</li> <li>(d) Secondary</li> <li>(e) Tertiary</li> <li>(f) Primary</li> <li>(g) Secondary</li> <li>(h) Tertiary.</li> </ul>	(8 x ½ = 4 marks)
20.	<p><b>Characteristics of a good tax system include:</b></p> <ul style="list-style-type: none"> <li>(a) Equitably distributes the tax burden according to the payers' ability to pay.</li> <li>(b) Certain and clearly defines what the payer is expected to pay.</li> <li>(c) Convenient and easy for the tax payer to meet the tax obligations.</li> <li>(d) Economical and allows the tax to be collected at the least cost.</li> <li>(e) Flexible enough to allow for adjustments according to prevailing conditions.</li> <li>(f) Diverse as to capture as many sources as possible.</li> <li>(g) Simple enough to be understood by all tax payers.</li> <li>(h) Elastic and able to generate more revenue with improved economic performance.</li> </ul>	(4 x 1 = 4 marks)
21	<p><b>Contributions of entrepreneurs to the growth of an economy include:</b></p> <ul style="list-style-type: none"> <li>(a) They create employment by establishing businesses.</li> <li>(b) They make use of locally available resources which would have been idle.</li> <li>(c) They improve the citizens' standard of living by offering them a source of income.</li> <li>(d) Their ventures become a training ground for local labour which then becomes skilled.</li> <li>(e) They save the country foreign exchange which would have been spent on imports.</li> <li>(f) Promote technological advancement through their creativity.</li> <li>(g) Promote entrepreneurial culture by being eye openers to other people who then start their own businesses.</li> <li>(h) Promote the accumulation of capital by ploughing back their profits.</li> <li>(i) Promotes development of infrastructure.</li> <li>(j) Reduces urban to rural migration.</li> <li>(k) Reduces foreign dominance of the economy.</li> <li>(l) Source of government revenue through taxes, licenses and fees.</li> </ul>	(4 x 1 = 4 marks)

22.	<p><b>Factors that may influence an individual's demand for money in order to fulfill the transaction motive include:</b></p> <p>(a) The individual's level of income/earning.                  (b) The frequency of payments by the individual.                  (c) The individual's spending habits.                  (d) The rate of inflation.                  (e) The number of dependants supported by the individual.                  (f) Availability of credit.                  (g) The frequency of income/individual's earning.</p>	(any 4 x 1 = 4 marks)																											
23.	<p><b>Determining excess demand or excess supply</b></p> <table border="1" data-bbox="308 598 1347 850"> <tr> <td>Price(sh/bag)</td> <td>1800</td> <td>1600</td> <td>1400</td> <td>1200</td> <td>1000</td> <td>800</td> <td>600</td> <td>400</td> </tr> <tr> <td>Excess demand</td> <td>-</td> <td>-</td> <td>-</td> <td>0</td> <td>200</td> <td>430</td> <td>600</td> <td>800</td> </tr> <tr> <td>Excess supply</td> <td>1120</td> <td>800</td> <td>400</td> <td>0</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </table>	Price(sh/bag)	1800	1600	1400	1200	1000	800	600	400	Excess demand	-	-	-	0	200	430	600	800	Excess supply	1120	800	400	0	-	-	-	-	(8 x ½ = 4 marks)
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24.	<p><b>Benefits of a bonded warehouse to the importer include:</b></p> <p>(a) The importer can sell the goods before paying duty hence transferring the burden to the buyer.                  (b) Goods can be prepared for final sale while still in bond.                  (c) Gives the importer time to arrange for payment of duty.                  (d) The importer can look for market while goods are still in bond.                  (e) Some goods like wine, can improve in quality and value while still in bond.                  (f) Security is provided for the goods while they are in bond.                  (g) Some goods may lose weight resulting into less duty being paid by the importer.</p>	(Any 4 x 1 = 4 marks)																											
25.	<p><b>Other means of transporting goods and people on land apart from trains and motor vehicles are:</b></p> <p>(a) Use of animal transport.                  (b) Human portage.                  (c) Use of carts.                  (d) Bicycles.                  (e) Motorcycles.                  (f) Pipelines.                  (g) Tuk tuk</p>	(Any 4 x 1 = 4 marks)																											