

KCSE 2022

4.5 BUSINESS STUDIES (565)

4.5.1 Business Paper 1 (565/1)

1. Identify the component of Business Studies described in each of the statements below.

(4 marks)

No.	Statement	Component
(a)	Systematic way of recording business transactions for decision making.	
(b)	The study of trade and aids to trade.	
(c)	The study of how human beings strive to satisfy their endless wants using the available scarce resources.	
(d)	The process of identifying a business opportunity and getting necessary resources to start and run a business.	

2. State **four** limitations of direct trade.

(4 marks)

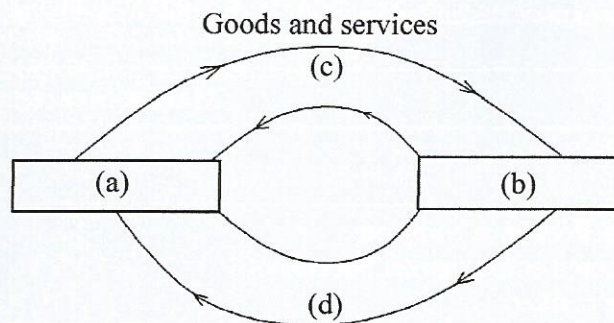
3. Kaimosi Traders owned a house whose book value was Ksh 1,000,000. They insured the house for Ksh 800,000 against the risk of fire. Fire occurred and partly destroyed the house to a cost of Ksh 800,000.

Required:

(a) Work out the amount of compensation that Kaimosi Traders would receive. (3 marks)

(b) State the reason for paying the amount as determined in 3(a) above. (1 mark)

4. The diagram below represents the circular flow of income in a two sector economy.



Identify what is represented by the letters (a), (b), (c) and (d).

(4 marks)

5. Name the books of original entry in which the following transactions are recorded: (4 marks)

No.	Statement	Component
(a)	Bought goods on credit from Kamau wholesalers.	
(b)	Kibisu a debtor, returned goods.	
(c)	Cash sales.	
(d)	Sold an old tractor on credit.	

6. Outline **three** circumstances under which cash with order would be preferred. (3 marks)

7. State **four** non-tax sources of Government revenue. (4 marks)

8. Highlight **four** ways in which the economic environment may lead to business success. (4 marks)

9. Outline **four** circumstances under which a firm may be located near the market for its product. (4 marks)

10. Explain the meaning of each of the following trends in business ownership: (4 marks)

- (a) Holding company
- (b) Amalgamation
- (c) Absorption
- (d) Cartel

11. Identify the market structure described by each of the conditions given below. (4 marks)

No.	Condition	Market Structure
(a)	The firm is the industry.	
(b)	Buyers and sellers have complete knowledge about entire market but cannot influence the market.	
(c)	Few large firms that dominate the market.	
(d)	Comprised of many sellers of differentiated products.	

12. Outline **four** causes of cost-push inflation. (4 marks)
13. State **four** reasons for ethical practice in business. (4 marks)
14. State whether the transactions given in the table below will cause decrease, increase or no effect on the totals of the balance sheet. (4 marks)

No.	Transaction	Effect
(a)	Bought office furniture in cash.	
(b)	Deposited some money into the business bank account from personal savings.	
(c)	Purchased goods on credit.	
(d)	Withdrew money from the bank to pay the child's hospital bill.	

15. Highlight **four** benefits of product promotion to the producer. (4 marks)
16. Name the type of unemployment described in each of the following statements: (4 marks)

No.	Statement	Type of unemployment
(a)	Caused by change in production pattern during the year influenced by weather conditions.	
(b)	Occurs repeatedly at similar times.	
(c)	The number of people employed exceeds those that are required.	
(d)	Firms are willing to employ all people at the prevailing wage rate but job seekers are not willing to take up the jobs.	

17. Outline **four** differences between primary wants and secondary wants. (4 marks)

No.	Primary wants	Secondary wants
(a)		
(b)		
(c)		
(d)		

18. The following information relates to Maji Mazuri Traders for the month of December 2021.

Details	Ksh
Loan from Bank	24,000
Stock	40,000
Cash	60,000
Debtors	12,000
Salaries	8,000
Creditors	18,000
Furniture	16,000

Work out the net worth of Maji Mazuri Traders. (4 marks)

19. Outline **four** reasons that may make the Government protect consumers. (4 marks)

20. Identify the type of financial institution described in each of the statements below. (4 marks)

No.	Statement	Type
(a)	Operates fixed deposit, savings and current accounts.	
(b)	Advances loans in proportion to one's savings.	
(c)	Sells houses through mortgages.	
(d)	Offers finance to start or expand industrial enterprises.	

21. Outline **four** benefits of electronic filing systems. (4 marks)

22. Highlight **four** benefits that Kenya may get from being a member of the East African Community. (4 marks)

23. The information below relates to Roga Roga Traders for the year 2021.

Sales Ksh 270,000
Margin 40%
Rate of stock turnover 6 times

Required:

- (a) Gross Profit (2 marks)
 - (b) Cost of Goods Sold (1 mark)
 - (c) Average stock (2 marks)
24. Highlight **four** reasons for locating bonded warehouses at border points. (4 marks)
25. Outline **four** services that retailers may offer to the consumers. (4 marks)