KCSE BUSINESS TOPICAL QUESTIONS

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SECTION I: PAPER ONE

01- INRODUCTION TO BUSINESS STUDIES

The topic entails;

Emphasis on the meaning and importance of Business studies to day-to-day activities around school and society in general.

1. State **four** importance of business activities to an economy

02. -BUSINESS AND ITS ENVIRONMENT

The topic entails;

(i) Meaning and purpose of a business

(ii) Explain Business environment with clear distinction between internal and external business environments.

(iii) Understanding of what makes up a healthy business environment.

1. Identify the importance of the following types of environment to a business.
   i) Intermediaries
   ii) Technological
   iii) Demographic
   iv) Competitors
2. State **four** environmental effects that may result from the depletion of Kenya's forest cover
3. Name the internal environments whose effects are described by the following statements:

	EFFECT	**INTERNAL ENVIRONMENT**
(a)	Allows duties to be allocated to the right people thus resulting in higher productivity	
(b)	Helps the business achieve its objectives e.g. higher production level of goods and services	
(c)	Makes employees to acquire norms and code of conduct that is acceptable to all	

4. Outlin**e four** ways in which the government creates enabling environment for business
5. Mr. Mirugi has opened a retail outlet at Lukoye Trading centre. Advise him on **four** ways of creating an enabling business environment for the prosperity of his business
6. Mention **four** benefits of recycling waste production
7. Outline **four** adverse effects of production activities on environment and community health
8. Outline **four** elements that may comprise the internal environment of a business

9. The table below contains various categories of members of the society. In the spaces provided indicate the activity of social responsibility that a firm should undertake to each group

Category	**Activity of social responsibility**
a) Employees	
b) Customers	
c) Community	
d) Owners	

10. Give **four** ways in which Arid lands can be made more productive in any given country

03. -SATISFACTION OF HUMAN WANTS

1. State **four** factors that may limit an individual ability to satisfy his basic wants
2. Identify **four** sources of energy available in Kenya
3. Indicate whether the following resources are renewable or non-renewable

Resource	**Classification**
1. Limestone	
2. Natural rubber	
3. Solar energy	
4. Biogas	
5. Rivers	
6. Wildlife	
7. Soda ash	
8. Forest	

4. Outline **four** benefits that accrue to a company by using a prize winning competition to promote its products
5. State **four** reasons why choice should be made in satisfying human wants
6. Outline **four** circumstances under which some human wants can fully be satisfied
7. Highlight **four** reasons why human wants are not easily satisfied

8 State **four** characteristics of basic human wants

9. Classify the following items into either basic wants or secondary wants

ITEM	**WANT**
(a) Furniture (b) Medical care (c) Sausages (d) shelter	

10. Highlight **four** problems faced in the satisfaction of human wants

04 – PRODUCTION

1. For each of the following production activities, indicate whether it is direct or indirect type of production

Activity	Type of production
i) An individual washing his own clothes	
ii) An individual supplying beef in an area	
iii) An individual operating a food kiosk	
iv) An individual producing maize for his family consumption	

2. Write in full the following abbreviations:
   i) Franco
   ii) O.N.
   iii) C.W.O
   iv) I.O.U
3. Explain the factors that have led to dominance of subsistence production despite development in technology in Kenya.
4. Identify the type of utility created in the following circumstances

Activity	Utility
a) Carpentry	
b) Selling bread to students	
c) Warehousing of goods imported	
d) Carriage of cargo to the market	

5. Outline **four** ways in which the productivity of land can be improved
6. State **four** ways in which a society benefits from indirect production
7. Outline **four** disadvantages of division of labour and specialization
8. Distinguish between the following types of utilities:-
   (a) Form utility
   (b) Place utility
9. A worker has been working as a mechanic for two years. However, he thinks of changing to another occupation
10. List **four** features of land as a factor of production
11. Highlight **four** factors that could influence mobility of capital as a factor of production
12 Highlight **four** types of utility and identify how each is created by production
13. Give **four** characteristics of indirect production

05. ENTREPRENEURSHIP

The topic entails:

- **Understanding the meaning and importance of entrepreneurship.**
- **Discussing the characteristics a successful entrepreneurs must have.**
- **Discussing the factors that inhibit enterpreneual development.**
- **Discussing the possible causes of business.**

1. What are the factors that have contributed to the growth of entrepreneurship in Kenya.
2. Outline **four** reasons for establishment of a business enterprise

3. Enter the following transactions in the ledger accounts of Onyango Traders for the month of May, 2004

May **1:** Started business with shs.150,000 cash

2: Bought goods on credit from Kamau for shs.40,000

4: Sold goods for cash shs.34,500

5: Returned some of the goods purchased from Kamau for Kshs.4,500

4. State **four** reasons to consider when evaluating a viable business opportunity

5 A surgeon set up a clinic in a distant rural centre. The business was closed after six months. Identify **four** possible causes for the failure

6. State **four** reasons why the government of Kenya is encouraging entrepreneurial knowledge in schools

Q. Identify **four** benefits of entrepreneurship to the developing economies such as Kenya

O6. -MANAGING A BUSINESS

1. The manager of Kusimba stores has vowed to improve his yields by 50% through labour motivation. State **five** ways by which he can achieve this
2. Outline **four** non-monetary incentives that an organization may use to motivate its employees
3. Controlling is an important part of management. State four roles of controlling as a tool of management

07- THE OFFICE

1. Name **four** equipment that can be available in the accounts office
2. Identify four qualities of a personal secretary
3. Give **four** characteristics of a good memo
4. Outline **four** duties of a company secretary
5. Mwita has introduced computers in his business operations, outline **four** benefits that he may experience
6. Highlight **four** ways in which an open office lay-out can contribute to efficiency in office operations
7. State **four** reasons why an organization should keep stock records for its office stationery
8. State **four** limitations of adoption of new technology by a business
9. Highlight **four** factors to be considered when selecting a method of re-producing documents

10. State **four** factors to consider when choosing an office layout

11. Outline **four** modern trends in office management

12. Enumerate **four** demerits of an open plan office

08 - HOME TRADE

1. Write in full the following abbreviations:

    i) Franco
    ii) O.N.
    iii) C.W.O
    iv) I.O.U

2. Outline the difference between the following types of wholesalers:

    i) Rack jobbers and drop shippers
    ii) Specialized and generalized wholesalers.

3. State **four** circumstances under which a customer would prefer to be paid by a banker's cheque

4. Give **four** contents of a statement of account

5. State **four** limitation of hawking

6. State **four** disadvantages a person may experience when using credit cards

7. Name **four** commercial services which are useful to a manufacturer

8. Give **four** disadvantages of barter trade

9. Show how the following transactions may affect the items of balance sheet, stating whether it is an increase , decrease or no effect

Transaction	**Assets**	**Capital**	**Liabilities**
(a) Additional investment in cash			
(b) Purchase of stock by credit			
(c) Pre-paid loan in cash			
(c) Took a loan to pay another loan			

10. Identify the type of wholesaler described in each of the following cases in the table below:

Description	**Type of wholesaler**
(a) They sell a wide range of goods within one line of products	
(b) They stock their products in vehicles and move around selling to other traders	
(c) They stock particular types of goods and sell to other specialized traders	
(d) They operate on a self-service basis where other traders pick, pay and transport goods on their own	

11. Differentiate between the following documents used in home trade:

    (a) Consignment note and delivery note
    (b) Credit note and Debit note

12. A trader sold a bag of sugar at Kshs.4000. The buyer was allowed a trade discount of 10%. If he pays the debt in two weeks and cash discount of 3% if payment is made within one month. Calculate the amount the trader received if the buyer paid within 15days

13. In the spaces provided below, state the business document, to which each of the following statement relates

Statement	**Document**
a) Gives a description of the goods and the prices at which the seller can supply the goods to the buyer	
b) Accompanies the goods and it contains the list of goods delivered	
c) To inform the buyer that goods have been dispatched	
d) To correct an under- charge	

14. State **four** circumstances under which a proforma invoice can be used
15. State **four** benefits of selling goods on hire purchase terms
16. List **four** advantages of hire purchase to the buyer
17. List **four** essentials of a bill of exchange
18. State **four** factors that determine the period for which documents should be stored
19. Identify **four** essentials of a valid bill of exchange
20. Mama Cindy purchased 100 packets of sweets worth kshs1625.if she was allowed a 5% quantity discount and 2 ½% cash discount, calculate the price she paid per packets of sweets

09 - FORMS OF BUSINESS UNITS

1. State **four** requirements necessary to secure a loan from the SACCO's
2. Give **four** hitches faced by the government of Kenya in the endeavor to privatize state firms
3. Outline **five** benefits of becoming a member of a savings and credit cooperative society (SACCO)
4. In the spaces provided below, write the type of partner described by each of the following statements

   (i) One who is below 18years of age

   (ii) One who has unlimited liability

   (iii) One who gets involved in the daily running of the business

   (iv) One who allows his/her name to be used in the business

5. Otwoma intends to start a business. Give **four** reasons why it is advisable for him to start a retail business shop instead of buying shares in a public limited company
6. State **four** circumstances that may lead to the dissolution of a partnership
7. State **four** features of incorporated business units
8. List **four** documents that are required before a public limited company is allowed to operate in the country
9. List **four** documents that are required before a public limited company is allowed to operate in the country
10. Highlight **four** ways in which the running of public corporations is ineffective in this country
11. You have been charged with a duty of preparing an article of Association for your company; state **four** items that you will include in your article of Association
12. Honey intends to join a consumer Co-operate society; Highlight **four** benefits she would get by being a member of the society
13. State **four** features of multinational corporation
14. State **four** type of partnership businesses

10. - GOVERNMENT AND BUSINESS

1. State **four** reasons why the government issues licenses to businesses
2. State any **four** limitation of consumer initiated methods in compating exploitation.
3. Highlight **four** services offered by the local authorities in Kenya
4. Outlin**e four** ways in which the government creates enabling environment for business
5. Local leaders would like to see more business enterprises established within Ugenya. Outline **four** measures the government can take to encourage investments in this region
6. Limitations of consumer initiated methods of consumer methods
7. State **four** reasons why some local authorities in Kenya find it difficult to provide public utility
8. List **four** types of complaints that a consumer organization may receive from consumer
9. State **four** reasons why some local authorities in Kenya find it difficult to provide public utilities
10. State **four** ways in which the government is involved in business activities

11 - TRANSPORT

1. State **four** circumstances that make rail transport more desirable than road
2. Highlight **four** measures that the government can take to make road transport in our country to be more efficient
3. Marine transport is one of the important means of transport is Kenya. Give **four** disadvantages of this form of transport

4. Outline **three** features of tramps that distinguish them from other sea transporters
6. Outline **four** factors that have limited adoption of containerization in Kenya
7. G4S Limited Company offer courier services to provide safe transportation services. Highlight **four** other services offered by G4S Limited
8. Outline **four** differences between liners and tramps as in sea transport
9. Bucket ltd is an international pharmaceutical company. Under what circumstances can the firm send its products to customers by air transport?

12 - COMMUNICATION

1. The following are special delivery services provided by the post office:-**post rest ante, speed post, business reply service, express delivery**. Match each description with the term
   a) The arrangements to deliver the mail starts at the sender's post office
   b) The arrangement to deliver the mail starts at the addressees post office
   c) Services offered to travelers who wish to receive correspondence while away from home
   d) Service that relieves the customer of postage expenses
2. State **four** advantages of sending parcels using courier firms
3. Outline **four** reasons why communication may not be effective
4. State **four** essential components for communication to take place
5. List **four** forms of communication
6. State **four** circumstances under which verbal communication may be preferred to written communication in a business enterprise
7. State any **four** current trends in communication in Kenya today

13- WAREHOUSING

1. State **four** functions of warehousing
2. Under what circumstances can the location of a warehouse be seen to be inappropriate
3. State **four** reasons why it is suitable to locate a bonded warehouse at the point of entry of a country
4. Outline **four** benefits of a bonded warehouse to the government
5. Outline **four** circumstances that would hinder a warehouse form functioning effectively
6. State **four** reasons why goods may delay in a warehouse
7. State **four** functions of the purchases department of a ware house
8. State **four** advantages of warehousing to a retailer

14.- INSURANCE

1. Kazi moto insured a motor vehicle against fire with MotoMoto company by paying Kshs.300.000. later the car was destroyed at a garage and a compensation of Kshs. 400,000 were paid. Using insurance terms, state what each of the following stand for ;

   a) Kazi Moto

   b) Fire

   c) Kshs 300,000

   d) Moto Moto Company

2. Give the significance of the following principles to both the insurer and insured

   i) Utmost good faith
   ii) Indemnity.....
   iii) Contribution
   iv) Insurable interest..

3. The following are description of various insurance policies. Identify the name of the policy described by the statement:

	Description	**Policy**
1	Covers an organization against losses which might arise as a result of debtors failure to pay their debts	
2	Covers for the loss of profit due to interruption of business activities as a result of fire	
3	Covers employees who may suffer injuries while on official duties	
4	Covers partial or total physical disability caused to a person due to injury	

4. State **four** reasons why few Kenyan take out life assurance policy
5. Define the following types of marine insurance losses:-

   (a) Total constructive loss

   (b) General average loss

6. State **four** conditions necessary for the operation of the principle of indemnity in insurance
7. Highlight **four** characteristics of an insurable scheme
8. Outline **four** benefits of the "Pooling of risks" to an insurance company
9. Describe the procedure of acquiring an insurance policy

10. A private warehouse owner insured his warehouse valued at Kshs.400, 000 for Kshs600, 000 against risk of fire. The warehouse was later destroyed completely by fire including goods worth shs 100,000.

Required:

i) Determine the amount of compensation paid by the insurance company

ii) Give a reason for your answer in **(i)** above

15. - PRODUCT PROMOTION.

1. Below are terms used in sales promotions:-

-Competitive advertising

-Product advertising

-Informative advertising

- Institutional advertising

-Primary demand advertising

Identify the most appropriate term described in each of the following case,

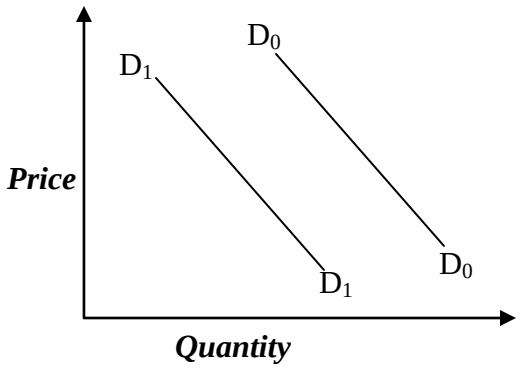
i) Aims at increasing the sales volume of the company's entire range of products
ii) Provides relevant information about producers products
iii) Seeks to popularize the business enterprise offering goods for sale
iv) Seeks to promote the sale of a new variety of a company's creations

2. Outline **four** benefits that accrue to a company by using a prize winning competition to promote its products
3. Outline **four** steps involved in personal selling
4. State any **three** forms of after sales services offered to customers
5. State the functions of advertising agencies to the producers
6. Elgon industries a producer of sweets and chocolates wants to launch its products in the market. Outline **four** factors the firm should consider when choosing an appropriate medium for promotion
7. List **four** after sale services that a seller may offer to attract more buyers for his products

16- DEMAND AND SUPPLY

1. Outline **four** factors that influence both demand and supply of a commodity
2. State **four** factors that may result into an increase in the supply of a product in the market
3. State **three** circumstances under which a fall in the price of a commodity would lead to a fall in demand for a commodity

4. The following graph shows a shift in demand from D_0D_0 to D_1D_1



State **four** possible reasons for the above shift

5. The table below represents a farmer's supply of cabbage in a local urban centre

Year	**Quantity of cabbages (Kgs)**
2001	20,000
2002	15,000
2003	10,000

Assuming the price remained constant state **four** reasons for the trends in the supply of cabbages

6. Outline **four** circumstances that would cause a commodity to have inelastic demand
7. State **four** causes of abnormal demand
8. Explain **four** circumstances under which the law of demand may be undermined
9. The table below shows changes in price of a product X and the changes in quantity demanded in Product X and product Y

Price of x	Demand for x	Demand for Y
140	20,000	15,000
150	16,000	19,000

Calculate the loss elasticity of demand of product Y

17 - THE THEORY OF THE FIRM

1 . Highlight **four** ways a trader benefits from localization of industries
2. State **four** factors that determine the size of a firm
3. Highlight **four** measures the government may take to promote delocalization in the country
4. Highlight **four** reasons why small scale businesses are popular in Kenya inspite of economies of scale associated with large scale organizations
5. State **five** reasons for the existence of small firms in an economy
6. Give **four** ways in which a firm may achieve marketing economies of scale

7. The table below represents units of output and their cost of production. Find the values of costs **A, B, C** and **D**

Units of output	**Total fixed cost (TFC)**	**Total variable cost (TVC)**	**Total cost**	**Average fixed cost (AFC)**	**Average variable cost (AVC)**	**Average cost(AC)**	**Marginal cost (MA)**
3	300	240	A	100	80	180	60
4	300	320	620	75	B	155	80
5	300	500	800	C	100	160	180
6	300	720	1020	50	120	D	220

8. The table below shows the total cost of a certain product at given output levels

Output (units)	0	10	20	30	40	50	70	80
Total cost (Kshs)	300	380	470	550	620	680	730	770

At output of 50 units; determine

a) Total fixed costs

b) Average variable cost

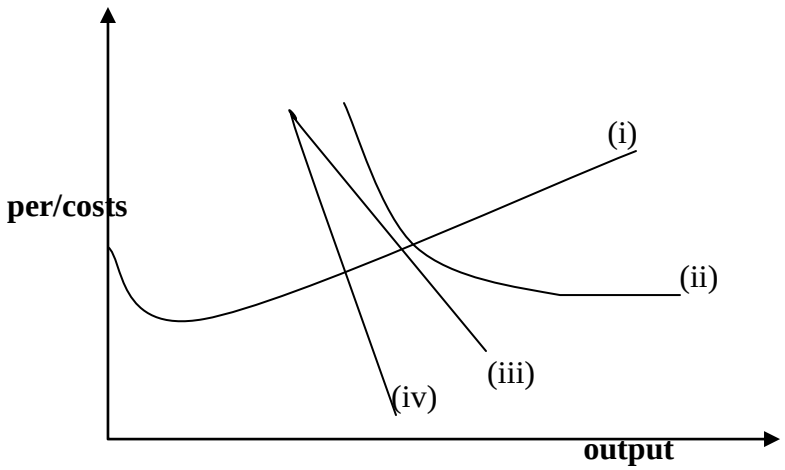
c) Average total cost

d) Marginal cost

9. Give **four** reasons why a firm may choose to remain small despite the benefits of expansion

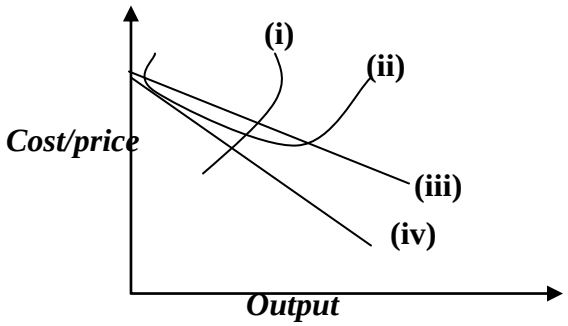
18 - PRODUCT MARKETS

1. State **four** reasons why the government should control activities on monopoly
2. The following diagram shows how price and output is determined under monopolistic competition

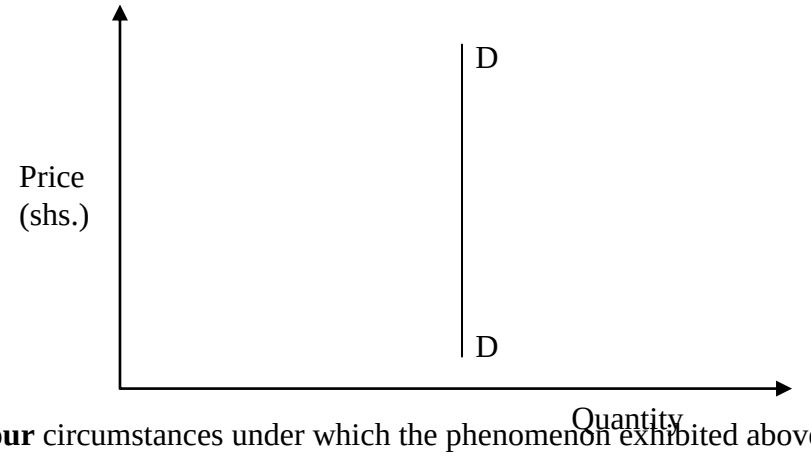


Name the curves:

3. The diagram below represents the short-run equilibrium of a firm in monopolistic competition. Label the curves and show the best output and price on the graph



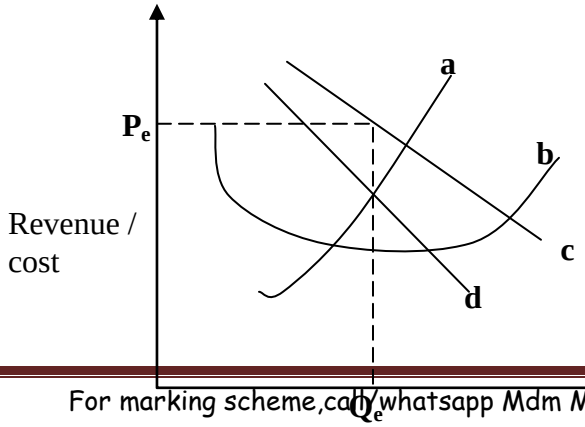
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State **four** circumstances under which the phenomenon exhibited above can be experienced in a market structure

5. State **four** sources of Monopoly power

6. The diagram below relate to a market structure



i) Name the market structure represented in the diagram shown above

ii) Name the curves marked

7. Give **four** reasons why market research is important to a trader

19. - CHAIN OF DISTRIBUTION

1. Identify the type of utility created in the following circumstances

Activity	Utility
a) Carpentry	
b) Selling bread to students	
c) Warehousing of goods imported	
d) Carriage of cargo to the market	

2. State f**our** roles played by intermediaries in the chain of distribution
3. Highlight **four** consequences of eliminating a wholesaler from a chain of distribution
4. Outline **four** factors used to determine the distribution of Omo, as a common household detergent in Kenya
5. State **four** circumstances under which it would be advisable for a manufacturer to sell directly to consumers
6. Dady a traders at Kibigori trading centre wishes to import goods from Brand kamp , a Germany Describe **four** channels of distribution that Dady's goods are likely to take to reach his consumers at Kibgori
7. Kenya co-operative creameries (KCC) sell its dairy products directly to retailers. Highlight **four** factors that were considered in the choice of this channel of Distribution

20. NATIONAL INCOME

1. Outline **four** reasons why an increase in per capita income may not necessarily lead to a rise in the standard of living of the citizens
2. State **four** factors that affect the circular flow of income in an economy
3. Identify **four** factors that may be contributing to income disparity between the rich and poor citizens in Kenya
4. Account for the difference between the gross National Income figures between Kenya and Uganda
5. Name **three** approaches for measuring national income
6. Highlight **four** problems associated with income approach
7. Highlight **four** problems associated with the output approach in computation of National income
8. Highlight **four** uses of National Income statistics in any given country
9. Outline **four** circumstances under which per capita income would be a good indicator

21. POPULATION AND EMPLOYMENT

1. Explain the following terms as used in business

   i) Census
   ii) Unemployment
   iii) Mortality...
   iv) Optimum population.

2. Highlight **four** negative implications of a rapid population growth in developing countries
3. State **five** causes of unemployment in Kenya
4. Highlight **four** challenges passed to a country by a rapidly growing population

5. The table below shows a change in population size in country X for a period of four years

Year	**Total population (000 000)**
2001	40
2002	26
2003	13
2004	9

6. Give **four** reasons to account for this trend
7. Give **four** advantages of high population growth rate

22. DETERMINING THE NET WORTH OF BUSINESS

1. List **four** items that may affect the ending capital of a business
2. The following relates to Katiba traders as at 31st April 2010

	Kshs.
Capital	600,000
Motor van	280,000
Furniture	80,000
Current assets	**?**
Current liabilities	50,000

Prepare Katiba's between sheets

3. Asman Traders had the following information extracted from their books of accounts as at 31st June 2006

	Shs.
Capital (1st July 05)	3 500 000
Additional investment	540 000
Drawings for the year	25 200
Capital (31st June 06)	6 000 000

Determine the profit for the year

4. State **four** characteristics of Assets

5. Use the balance sheet equation to fill the missing figures in the table below

	CAPITAL(Shs.)	**LIABILITIES(Shs.)**	**ASSETS (Shs.)**
(a)	21,920	***?***	30,341
(b)	***?***	2.192	19,840
(c)	3,773	1,591	***?***
(d)	***?***	73,000	100,920

6. The accounting period of Ochomo Traders ended on 30th June, 2008. The assets, liabilities and capital were as follows on their date :

Capital	51000
Cash in hand	4000
Stock	10000
Furniture	7000
Creditors	5000
Long term loan	20000
Premises	50000
Debtors	2000
Bicycle	3000

Required: Prepare Ochomo traders balance sheet as at 30th June,2008

23. -BUSINESS TRANSACTIONS

1. The proprietor of the sunrise dealer had ksh.13,730/= as capital as at 1st January 2010. The following transactions took place.

   i) Sold goods worth ksh 3000/= for ksh.9000/=

   ii) Deposited ksh.50, 000/= from his personal savings

   If his capital as at 31st January 2010 was kshs.62, 230/=, determine the value of drawings for the month of January 2010.

2. For each of the following transactions indicate in the spaced provide the account to be debited, account to be credited and the ledger in which the account would be maintained

	Transaction	A/C to Debit	Ledger	A/C to credit	Ledger
(a)	Sold goods on credit to Kamau Kshs.10,000				
(b)	Paid rent by cash Kshs.500				

3. Indicate the balance sheet items which would be affected by the following transactions

(a) Purchase of a lawn mower by cheque

(b) Sale of goods on credit to Mwangi

(c) A debtor pays by cash

(d) The owner converted his personal car into a business asset

4. Given below are transactions relating to Mwala traders. For each of the transactions, indicate in the column below the account to be debited and the account to be credited

Transaction	Account to be debited	Account to be credited
(i) Paid salaries in cash		
(ii) Withdraw cash from bank for office use		
(iii) Paid telephone bill by cheque		
(iv) Sold goods for cash		
(v) Purchased office equipment on credit from Mwala limited co.		

5. Mention **four** items that change capital of a business

6. The following balances relates to Onyonka traders as at 1st Jan. 2010

ONYONKA TRADERS
BALANCE SHEET
As at 1st Jan-2010

Debtors	120,000	Capital	140,000
Machinery	40,000	5years loan	290,000
Cash in hand	80,000	Creditors	30,000
Cash at bank	180,000		
Stock	40,000		
	460,000		**460,000**

The following transactions took place the same month:-
Jan 2nd debtors paid in cash shs.20,000.
Jan. 31st sold stock worth shs.20,000 for Shs.25,000 by cheque
Prepare a balance sheet as 31st Jan. 2010

7. Show how the following transactions may affect the items of balance sheet, stating whether it is an increase , decrease or no effect

Transaction	**Assets**	**Capital**	**Liabilities**
(a) Additional investment in cash			
(b) Purchase of stock by credit			
(c) Pre-paid loan in cash			
(c) Took a loan to pay another loan			

8. Okelo invested Kshs.120,000 into a business. At the end of the year, his capital was Kshs.160000 and his monthly drawing was Kshs.2000. Determine the net profit for the year

9. The following balance sheet relates to Hamisi traders as at 1st January 2008.

Hamisi Traders
Balance sheet as at 1st January 2008

	Shs	shs		Shs	shs
Capital		600 000	Fixed assets		
Current liabilities			Motor van		400 000
Creditors	400 000		Current assets		
Bank overdraft	300 000	700 000	Stock	120 000	
			Debtors	240 000	
			Cash	540 000	900 000
		1 300 000			1 300 000

Additional information:-

- On 2nd January 2008, Hamisi traders bought stock for cash at Shs 36 000
- On 10th January 2008, a debtor paid shs 26 000 to Hamisi traders
- On 13th January 2008, Hamisi used his personal cash to buy equipment for shs 47 000 for the business

Prepare Hamisi traders balance sheet as at 31st January 2008.

10. The following was obtained from the books of Wambui Mary for the ended 31st December,2007

Drawings	82000
Profit	170000
Additional investment	58000
Capital 1.1.2007	240000

Calculate the of Mary Wambui as at 31st Dec,2007

11. Queen Traders had the following information extracted from her books of accounts as at 31st Dec 2009:-

	Shs
Capital (1/1/009)	3,400,000
Additional capital	610,780
Drawings for the year	25,220
Capital (31/12/009)	4,900,000

Determine the profit for the year.

12. The following information relates to Ogello traders as at 31st Dec 2009:-

Capital (1-1-2009) kshs. 100,000

Loss during the year kshs.40,000

Investment kshs 35,000

If the trader took goods worth kshs. 15,000 during the year for private use, calculate the capital of the business as at 31-12-2009

24. THE LEDGER

1. Prepare Betty's trial balance from the following information

Items	**ksh**
Purchases	130,000
Capital	150,000
Sales	165,000
Debtors	45,000
Creditors	40,000
Motor vehicles	120,000
Stock	50,000
Cash at bank	10,000

2. Identify the situation in which the following types of ledgers are appropriate:

i) Creditors ledger
ii) Private ledgers
iii) Normal ledger

3. The following balances were extracted from the books of Nyatike Traders Limited as at 31st January 2010

	Kshs.
Discount allowed	5,000
Buildings	250,000
Return outwards	6,000
Purchases	74,000
Creditors	20,000
Drawings	16,000
Capital	319,000

Required: Prepare Nyatike Traders Ltd trial balance as at that date

]4. The following information relates to Kebirigo Traders as at 31st December, 2009

	Kshs.
Buildings	100,000
Debtors	54,000
Capital	136,000
Sales	85,000
Purchases	48,000
Stock 1 Jan.2009	25,400
Creditors	35,700
General expenses	31,800
Bank overdraft	2,500

Prepare a trial balance as at 31st December, 2009

5. The following trial balance was prepared by an incompetent book keeper thus failed to balance

Account	**Dr.**	**Cr.**
Fixed assets		250,000
Purchases		80,000
Sales	120,000	
Debtors	22,000	
Stock	60,000	
Creditors		45,000
Capital	247,000	
	449,000	375,000

6. Outline **four** errors in a trial balance although present it would still balance

7. Given below is a list of subsidiary ledgers:

General ledger

Nominal ledger

Purchases ledger

Sales ledger

Cash book

Indicate in which ledger the following accounts should be recorded

8. Record the following transactions in the relevant ledger accounts for the month of June, 2009

June 1: invested shs.100,000 cash in a retail business

June 2: Obtained a co-operative loan of Shs.20,000 cash

June 3: bought furniture Shs. 70,000, paying Shs.40,000 cheque and the balance in cash

	Account	**Subsidiary ledger**
a)	Return inwards	
b)	Discounts received	
c)	Drawings	
d)	Juma a supplier	
e)	Ombichi a distributor	
f)	Bank	

9. The following transaction took place in the business of Highlands Retail in the month of June 2008

1.6.2008-commenced business with Kshs. 120,000 in cash

4.6.2008-transferred kshs66, 000 from business till to the bank

13.6.2008-brought his private furniture worth kshs. 15,000 into the business for business use

28.6.2008-borrowed a loan in cash kshs.40, 000

Required: Post the transactions into the relevant ledger account

25. CASH BOOK

1. The following cash book relates to Baraka enterprises

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2004				2004			
Jan 1	Bal. b/d	10,000		Jan 1	Bal b/d		15,000
Jan 10	Sales	18,500			Bank	12,000	
Jan 15	Cash		12,000	Jan 15	Jebet	6,000	
	Bal. c/d		3,000		Bal. c/d	10,500	
		28,500	15,000	Jan 20		28,500	15,000

2. State the transactions that took place on the above cashbook on the following dates

   Jan 1
   Jan 10
   Jan 15
   Jan 20

3. Identify **four** uses of the cash book.

4. The following transactions took place in the business of Kiprono during the first week of Jan. 2003

   Jan 1st Balance brought down
   Cash = Kshs12,000.00
   Bank= Kshs.35,000
   Jan 2nd Sold an old piece of furniture for Kshs.8,000 cash
   Jan 3rd Cash sales Kshs.10,000 paid directly to the bank
   Jan 4th Purchased goods worth Kshs.20,000 , paid Kshs.5,000 cash and the balance to be paid later
   Jan 5th Kiprono took cash Kshs.1,500 for personal use
   Jan 6th Bought goods worth Kshs.15,000 paying partly by cheque Kshs.10,000 and the balance in cash

   Required: **Prepare Kiprono's two column cash book for the month of January and balance it of**

5. The following transactions relate to Kabela Traders for the month of Dec. 2004.

   2nd Dec cash sales shs.30,000

   8th Dec. Banked shs.15,000

   10th Dec. withdrew shs.10,000 from bank for office use

   Prepare a cash book

6. Ondiko Traders had Kshs. 100000 cash in hand and Kshs.243000 cash at bank during the month of March 2008. The following transactions took place in that month:

   March 3 – paid rent Kshs.5000 cash

   March 11- cash sales Kshs.14000

   March 14-purchased equipment worth Kshs. 37000 paying by cheque

   March 20- Deposited shs. 30000 into bank from cash till

   March 31- Took Kshs. 10000 cash for personal use

   Prepare Ondiko traders' two- column cash book for March 2008

7. Record the following transactions in a double column cash book of JABER traders and balance it off as at 12th June 2009:-

June 1: Balances : Cash shs.5500
Bank shs.18000 (Cr)
June 3: Purchases shs.4500 was made being paid by cheque shs.4000, balance later
June 7: Sold goods for cash shs.6000
June 12: took shs.7000 to bank
June 13: Credit purchases from Ombogo shs.3000
June 14: paid Alweny shs.1000 cash

8. State the meaning of the following terms as used in a cash book:

a) Contra- entry
b) Folio column

9. The following information was obtained from Laban traders during the month of February 2010

Feb. 4: goods returned by Otange traders amounted to kshs. 4 000, credit note no.214
8: Akamba traders returned goods worth kshs. 15 000 and was issued with credit note no.316
15: received goods worth ksh.6,000 from punch line traders. Credit note 510
28: goods returned by Viva traders' kshs. 9 600. Credit note no. 440
Prepare the relevant journal for Laban traders

10. Omondi had the following transaction in the year ending 30th June 2008:-

	Shs
Debtors as at 1st July 2007	113 000
Cash received from debtors in the year	651 500
Debtors as at 30th June 2008	138 500
Bad debts in the year	1 700
Discounts allowed in the year	2 600
Cash sales	800 000

Calculate the total sales for the year

11. Give **three** documents from which information entered in cash receipts and cash payments Journals may be obtained

12. The following information was available for the year 2009:-

2009	Accrued rent	Prepaid rent
Jan 1	Shs.20,000	Shs.40,000
Dec 31	Shs.36,000	Shs.3400

Rent expense paid in the course of the year amounted to shs.121,200.
Prepare the rent account and show the amount charged to profit and loss account

26.- SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY

1. The following data was extracted from the books of Mwauri Traders:

	31-12-2002 Shs.	31-12-2003 Shs.
Salaries accrued	46 000	
Salaries prepaid		150 000

For the year ended 31-12-2003, salaries paid amounted to sh.200 000.
Prepare the salaries account as at 31st Dec. 2003

2. State **fou**r conditions necessary for the operation of the principle of indemnity in Insurance

3. On 31st December,2009 details extracted from Khetia's Ltd. showed commission received for the year as Kshs. 60,000. Commission received in advance by 1st January,2009 was Kshs.12,000. Whereas commission received in advance as at 31st December, 2009 was Kshs. 24,000. Determine the commission income for the year 2009 that is posted to the profit and loss account

4. State the journal that deals with each of the following types of transactions

TYPE OF TRANSACTION	JOURNAL
i) Credit sales	
ii) Return of goods by customers	
iii) Return of goods to suppliers	
iv) Cash cheques received	
v) Credit purchases	
vi) Sale of fixed assets on credit	
vii) Purchase of a motor van on credit from general motors	
viii) Correction of errors	

5. From the following information prepare debtors control account for the year ended 31st Dec 2007

	Shs
Debtors balance 1-1-07	11,000
Credit sales	**?**
Bad debts written off	5,000
Return inwards	1,600
Receipts from debtors	31,000
Dishonoured cheque	2,800
Discount allowed	3,400
Debtors balance 31-12-07	25,300

27.- FINANCIAL STATEMENTS

1. The following information was extracted from the books of Klub traders

	Kshs.
Opening stock	160,000
Closing stock	200,000
Purchases	1,800,000
Margin	20%

Calculate klubs sales

2. The following balances were extracted from the books of Masai retailers on 14^{th} July 2000

	Shs.
Opening stock	30 000
Purchases	800 000
Closing stock	**?**
Sales	1 000 000
Return inwards	20 000
Return outwards	15 000

Maasai retailers sell goods at a mark up of 20%

Prepare the trading account for the period ended 14^{th} July 2000

3. The following account balances were obtained from Omenda traders on 31^{st} December 2002

	Kshs.
Stock (1/1/2002)	120,000
Purchases	170,000
Return inwards	30,000
Stock (31/12/2002)	110,000
Sales	300,000

Calculate: **(i) Margin**

(ii) Rate of stock turn over

4. The following information relates to Kafupi business enterprise:-

Average stock Shs.120,000

Rate of stock turnover 3 times

Margin 25%

From the data above, determine;

(a) The cost of goods

(b) Gross profit

(c) Sales

5. The following information was extracted form the books of Bondo Traders as at 31st Dec. 2004

Opening stock	2,500
Purchases	46,000
Closing stock	1,500
Mark up	20%

Prepare a trading account

6. Identify **four** methods that a government can use to finance a national budget deficit

7. The information below relates to Half-Bilha Traders for the year ended 30th September 2009;

Net sales	300,000
Cost of sales	150,000
Bad debts	30,000
Wages	25,000
Discount received	25,000
Rent	6,000
Carriage inwards	18,000
Carriage outwards	12,000

Prepare a profit and loss account for the business

8. The following information related to Virusi Trader for the year ended June 28th 2009

	Shs
Sales	5 400 000
Expenses	800 000
Mark up ration	2:3
Stock turnover ratio	6times

Required:-

Calculate: i) Gross profit
ii) Cost of sales
iii) Net profit

9. The following information relates to Mandu enterprises limited

Stock (1.1.2009)	40000
Stock (31.1.2009)	60000
Purchases	500000
Margin	20%

Prepare Mandu Enterprises Limited Trading account for the year ended 31st December, 2009

10. The following balances were extracted from the books of Wanga traders as at 30th June,2009

Current assets	320000
Capital	525000
Net profit	95000
Creditors	88200
Accrued expenses	10800

Calculate: a) Working capital

b) Return on capital

11. The following relates to Atis traders

Stock (1-7-2007)	shs. 22,000
Purchases	100,000
Mark –up	10%
Stock (30-6-2008)	26,000

Prepare her trading account

12. The following balances were extracted from the books of Shah Traders on 30th June, 2010

	Shs
Opening stock	65,000
Sales	280,000
Purchases	190,000
Purchases returns	10,000
Sales returns	4,200

Closing stock was Kshs. 70,000 as at 30th June, 2010. Prepare the trading account for the period ended 30th June, 2010

13. The following balances were extracted from the books of Chombo wholesalers for the year ended 31st December, 2009

	Kshs.
Sales	500,000
Purchases	320,000
Opening stock (1:1:2009)	80,000
Closing stock (31:12:2009)	40,000
Debtors	140,000
Creditors	90,000

Calculate;- a) Margin
b) Current ratio
c) Rate of Stock turnover

14. The following information was obtained from Maganda Enterprises for the year ended 31st Dec 2003:-

Opening stock	kshs. 40,000
Purchases	kshs. 400,000
Gross profit	kshs. 100,000

Goods were sold at a marked-up of 25%

Required;

Calculate: i) Sales for the year
ii) Rate of stock turn over

28 - INCOMPLETE RECORDS

1. The bookkeeper of Chacha Traders extracted the following information form the accounting records:-

	1/1/2009	31/12/2009
Suppliers	445,000	620,000
Discount received	-	12,000
Purchases returns	-	25,000

During the year ended 31/12/2009, suppliers were paid shs.1,400,000 while cash purchases Amounted to shs.800,000. Determine the purchase for the year

2. On 31st January 2004, Maleya Traders had a capital of Kshs.65000. At the end of the year, the following balances were available:-

	Kshs.
Stock	8,000
Creditors	6,000
Cash at bank	4,000
Premises	90,000

Prepare a statement of affairs on 31st December 2004

3. On 1st January 2009, Rodi Traders had a capital of shs 550 000 at the end of the year.

The following balances were available

Items	31.12.2009 Shs.
Creditors	50 000
Debtors	30 000
Bank overdraft	80 000
Buildings	870 000
Rent due	10 000
Salaries prepaid	10 000

i) Prepare statement of affairs as at 31.12.2009

ii) Determine the net profit for the year

4. Highlight **four** differences between a balance sheet and statement of affairs

29 - MONEY AND BANKING

1. Give **four** circumstances under which a trader would operate a fixed deposit account
2. Give any **four** functions of money
3. Highlight **four** reasons why loans advanced by commercial banks in Kenya may not appeal to many people
4. Give **four** disadvantages of barter trade

5. Identify the motive of holding money in each of the circumstances below:-

   (a) Need to hold money to cater for future unforeseen eventualities
   (b) Need to have money to cater for daily expenses
   (c) Need to have money with hope that prices will fall in future in order to purchase more

6. Identify **four** roles of the Central Bank as a government banker
7. E-banking is a method of banking through electronic systems. Give **four** reasons to account for the rising popularity of this banking system
8. Mention **four** ways in which individuals can hold money
9. State **three** motives of holding money
10. Outline **four** differences between commercial banks and non- bank financial institutions
11. Identify **four** roles played by the international monetary fund in international trade

30. - PUBLIC FINANCE

1. Outline **four** short comings of a country borrowing heavily from internal and external sources
2. Mention **four** cannons of taxation
3. State **four** reasons why government levy taxes
4. Identify **four** methods that a government can use to finance a national budget deficit
5. Match the following types of taxes with the appropriate description given below:-

   Corporate tax, Customs duty, Estate duty, Excise duty

Tax	**Description**
(a)	Is a tax levied on manufactured goods
(b)	Is a tax levied on wealth of a person after his death
(c)	Is a tax levied on entry of goods into a country
(d)	Is a tax levied on profits of business enterprises

6. Highlight any **four** features of a good tax system
7. Outline **five** principles of taxation
8. Differentiate between progressive and regressive taxation giving an example of each
9. Highlight **four** advantages of direct tax
10. Highlight **four** sources of revenue to the local authorities

31. -INFLATION

1. A country's domestic currency has been depreciating over time highlight five disadvantages of this to the country
2. State **four** negative effect of inflation to a country
3. State any **four** causes of demand-pull inflation

4. State **four** non-monetary methods of controlling inflation in a country
5. Mention **four** desirable effects if inflation
6. Highlight **four** negative effects of inflation in Kenya
7. Highlight **four** negative effects of inflation in Kenya

32. - INTERNATIONAL TRADE

1. Write in full the following abbreviations:
   i) Franco
   ii)O.N.
   iii)C.W.O
   iv)I.O.U
2. State any **four** economic benefits Kenya may derive from the recently revived East African cooperation (E.A.C)
3. Highlight **four** trade measures that can be undertaken by a country to correct balance of payment disequilibrium
4. Highlight **four** difficulties encountered in international trade
5. The following statement shows the various level of economic integration. Against this statements, give the level that suits each:

Statement	**Level**
(a) Member countries imposes common tariffs on non-member states	
(b) Member countries have joint economic institution and common monetary and fiscal policies	
(c) Member countries agree to either abolish or relax tariffs and other barriers	
(d) Member countries allow free movement factors of production	

6. Outline **four** ways in which Kenya benefits by being a member of Common Market for East and Southern Africa States (COMESA)
7. The table below gives descriptions of some documents used in international trade complete the table, by indicating the name of the document that corresponds to each description

Description	**Document**
i) Requests the exporter to supply the importer with the items indicated	
ii) Acknowledges the receipt of goods on board a ship	
iii) Authorizes the bank to resell goods being exported	
iv) Gives details of exported goods and name of country of origin	

8. Highlight **four** factor that may hinder the success of East African Co-operation (E.A.C)

33. -ECONOMIC DEVELOPMENT AND PLANNING

1. Outline any **four** problems encountered in development planning in Kenya
2. Mention any **four** obstacles faced by the Kenyan government in realizing its development planning .
3. Outline **four** indicators of underdevelopment
4. Highlight **four** circumstances under which a country may be classified as underdeveloped
5. Highlight **three** goals of development
6. Describe **four** reasons why it is important for Kenya to prepare a proper development plan
7. Highlight **four** characteristics of good development plan

SECTION II: PAPER TWO

01 – PRODUCTION

1. Outline **five** differences between direct production and indirect production

02 ENTERPRENEURSHIP

1 The government of Kenya though the Ministry of Trade and Industry has developed policies to promote entrepreneurship. Explain **five** importance of such initiative to the economy of Kenya

2 Entrepreneurship is becoming the driving force behind most economies in the world and most governments support it. Explain why entrepreneurship is important to these economies

3 Explain **five** factors that may hinder entrepreneurship development in Kenya

4 Discuss **five** causes of the persistent balance of payment disequilibrium in East African countries

5 Explain any **five** reasons why a new business may fail

03. -THE OFFICE

1 Explain **five** importance of filing documents in an organization

2 Explain **five** factors that an organization should consider when buying an office machine /equipment

3 Most companies have a closed office layout. Explain **five** problems that are faced by such companies

4 Discuss **four** benefits of using the electronic filing system in an organization

5 Explain **five** factors to be considered when buying office equipment and machines

04. -FORMS OF BUSINESS UNITS

1 Explain **five** advantages that Melinda could derive by investing in shares of a public limited

2 The following information was extracted from books of Chunga Traders for the period ending 31/12/2000:-

Fixed assets – 350,000
Drawings – 50,000
Creditors – 50,000
Cash – 60,000
Discount received 4,000
Rent – 12,000
Bank overdraft – 10,000
Debtors – 20,000
Stock (31/12/2000)-30,000
Commission received – 6,000
Gross profit – 80,000
Electricity – 3,000
Stock (11/1/2000) – 50,000
Salaries – 20,000

Calculate:- (i) Working capital
(ii) Capital employed

3 Distinguish between a public corporation and a public ltd company

4 Describe the procedure that a shareholder would follow in selling share through the stock exchange.

5 Challenges faced by the savings and credit cooperative societies

6. The Kenya Government has been privatizing its parastatals to would be investors. Explain any **five** benefits of the privatization process to the government

7. Explain **five** differences between private limited companies and public limited companies

8 Discuss **five** benefits that the Kenyan government may get by privatizing a state corporation

9 Describe **five** circumstances under which limited liability companies may be liquidated

10 Describe **five** distinctions between a public ltd company and public corporation

11 Distinguish between a public limited company and a private limited company

12 Katwaa is a member of Bidii savings and credit Co-operative. (SACCO). What benefits does she enjoy for being a member of the SACCO

05. - GOVERNMENT AND BUSSINESS

1. Explain **four** methods used by the government to protect consumers

2. Explain **four** methods used by the government to protect consumers

3. Name and explain **four** ways in which the government gets involved in business activities

4. Discuss **five** ways in which the Kenyan government can provide an enabling business environment to encourage the young upcoming entrepreneurs

5. Outline **five** ways in which the department of external trade promotes a country's external trade

06. -TRANSPORT

1 Explain **five** benefits that will accrue to a country due to use of pipeline in transporting oil products

2 Highlight **five** circumstances under which a trader may choose to transport goods by rail.

3 Discuss the factors that influence the choice of distribution channel

4 Kenya and Uganda are making efforts to improve their railway transport system. What are the benefits of this form of transport

5 Discuss the advantages of pipeline as a mode of transporting oil products

07. -COMMUNICATION

1. Explain **five** positive effects of introducing mobile phones in communication industry in Kenya.
2. Explain any **five** benefits that may accrue to an organization that uses effective communication
3. Outline **five** disadvantages of sirens as a form of communication that is popular with ambulances and the police
4. Discuss **five** advantages of mobile phones in communication
5. Explain five factors which may hinder effective communication

08. -WAREHOUSING

1. Discuss **five** ways of improving the efficiency of a warehouse

09.- INSURANCE

1. Under what circumstances can an insurance company fail to compensate the insured in the event of occurrence of the insured risk?
2. Describe the procedure for taking up an insurance policy
3. Your father wants to insure his life with British American Insurance Company. As a Business Studies student, explain to him **five** benefits of life assurance
4. Explain **five** principles of insurance

10.- PRODUCT PROMOTION

1. Highlight **five** benefits that a firm gets from the use of customers care services as part of its operation
2. Highlight **five** circumstances under which persuasive advertising may be used
3. Explain **five** benefits that consumers are likely to enjoy from product differentiation
4. Jogoo business enterprise has been using salesmen to market their products. Highlight **five** benefits of this strategy to the company
5. Explain **five** circumstances under which personal selling would be the most appropriate method of promoting a product
6. A manufacturer exhibited his goods in a local trade fair. However, his sales didn't increase significantly thereafter. Outline **five** reasons that may have led to lack of significant sales increase
7. Highlight **five** sales promotional methods which may be used by traders to increase their sales
8. Advertising in the newspapers is one way of promoting sales of goods. Highlight **five** limitations of advertising goods in newspapers

11. -DEMAND AND SUPPLY

1. The supply curve of a product registered a position shift despite the fact that the price of the product did not change. Explain at least five causes that may have led to this shift
2. Using a well labeled diagram, explain how excess demand and excess supply can be experienced in the market
3. Draw a normal demand and supply curves and explain the effects on equilibrium price and quantity created by an increase in demand accompanied by a proportionate decrease in supply

12. -THE THEORY OF THE FIRM

1. Highlight **five** reasons why a firm may be located near the market for its products
2. Explain **five** reasons why the government may adopt the delocalization policy of locating
3. Discuss **five** factors that may account for the existence of small firms in an economy
4. Explain **five** factors that determine the size of a firm
5. Explain **five** factors that determine the decision of a firm on what good sand services to produce
6. Explain **five** circumstances under which a firm may be located near the source of raw Materials
7. Outline any **five** reasons that account for the popularity of small scale retails in Kenya
8. Explain **five** factors that may account for the survival of small firms in an industry.

13.-PRODUCT MARKETS

1. Explain **five** characteristic of a monopolistic market.
2. By use of a diagram, explain how price and output are determined in a collusive oligopoly (centralized cartel) market situation
3. Highlight **five** differences between perfect competition and monopolistic competition
4. Using a well labeled diagram, explain how a monopolist enjoy a supernormal profit in both short and long run
5. Highlight **five** distinctions between perfect competition and monopolistic firms
6. a) With the aid of a diagram, explain how a firm under monopolistic competition is at equilibrium in the short run

   b) With the aid of a diagram, explain the **difference** between perfect competition and monopoly revenue curves

14. CHAIN OF DISTRIBUTION

1. Explain **five** possible effects that would result if wholesalers were eliminated from a chain of distribution
2. Manufacturers distribute their products to the final consumers through various channels.
3. Explain circumstances under which a producer would sell directly to retailers

4. Discuss the factors that influence the choice of distribution channel
5. Outline **six** circumstances under which a manufacturer may prefer to sell goods directly to consumers

25. NATIONAL INCOME

1. Explain **five** uses of national income statistics to an economy
2. The gap between the rich and the poor is so wide In Kenya. Highlight **five** factors that contribute to this disparity in income distribution.
3. Explain **five** limitations of using per capita income as a measure of the standard of living in a country
4. Outline **five** problems that are encountered in measuring National income in your country
5. (a) Explain **five** limitations of using per capita income to compare living standards of people in different Countries

   (b) High national income may not necessarily mean better welfare for the citizens of that country. Explain **five** reasons to support this argument

7. a) A newly industrialized country with a population of 40 million people, had its national income estimates during the year 2009 as follows:

	Value in Kshs (million)
Exports	250000
Consumption expenditure	624000
Investment	300000
Government spending	416000
Imports	210000
Depreciation	10000
Net indirect taxes	50000

Required:

a) (i) Calculate the GNP per capital of the country

ii) Outline limitations of using GNP pr capita in measuring the standard of living of accounts

b) Discuss **five** problems that are encountered in measuring National income in your country.

16. -POPULATION AND EMPLOYMENT

1. Explain **five** circumstances under which a high population growth may be desirable.
2. Explain **four** shortcomings of self employment
3. Explain **five** implications of an ageing population in a country
4. Explain **four** steps that Kenya can take to solve her employment problems

17. -THE LEDGER

1. Mr. Omanda started a business in January 2000 with cash in hand 100,000. The following transactions took place during the year:-

January: Bought stock by cash Kshs.20,000
February: Sold goods on credit Kshs.30,000
March: Opened a bank account by banking cash Kshs.60,000
April: A debtor returned goods worth shs.5,000
May: Bought goods Kshs.70,000 on credit
June: The owner took cash Shs.10,000 to pay his children school fees

2. Record the following transactions in the relevant ledger accounts, balance the account and extract a trial balance

Date	Transaction
1/4/2007	Mary started business with shs.80,000 cash
2/4/2007	Bought stationery for shs.4,000 and paid in cash
3/4/2007	Opened a bank account and deposited shs.50,000 from the cash till
4/420007	Bought motor vehicle worth shs.250,000 from Lucy motors on credit
5/4/2007	Bought postage stamps for shs.60 in cash

3. The following information relates to Ndhiwa resort traders for the month of November 2009:-

November, **1**.started a business with shs 160,000 cash
2. Purchases shs.120,000
3. Made sales in cash shs.126,000
4. Paid for electricity shs.1000 in cash
5. Received rent of shs.37 500 in cash
6. Gave discount of shs.6,000 in cash

Required :- i) Post the above information in the relevant ledger accounts and balance them off
ii) Extract a trial balance

18. -CASH BOOK

1. On March 2007, Doris had cash in hand shs.87,000 and cash at bank shs.25,000. During this month, the following transactions took place:

March 2nd : Cash sales shs.60,000
3rd: Paid salaries shs.101,500 by cheque
7th : Received a cheque of shs.76,000 from Henry after allowing a cash discount of 5%
13th: Bought office furniture by cheque shs.86,000
17th: Settle marital account for shs.34,200 in cash having deducted shs.8,000 cash discount
20th: Received a cheque for shs.165,000 in respect for cash sales
22nd: Paid wages shs.25,000 in cash
24th: Withdrew shs.32,000 for bank for office use
25th : Withdrew shs.4,000 cash for personal use
29th: Received shs.17,000 cash form Alvin in settlement of his account less shs.1000 cash discount
31st : Deposited all the money into the bank except shs.24,600

Required: ***Prepare a three column cash book duly balanced***

2. Enter the following transactions in the petty cash book of Makavale stores for the month of

July 2009 using the following analysis columns: Telephone and postage; office stationery, traveling expenses and office expenses. The business operates the petty cash book on an imprest system of 4000/= replenished on weekly basis

July 1st – received a cheque from the cashier to start the imprest

1st – paid for taxi hire 250/= and 130/= for office cleaning

2nd – bought postage stamps for 210/= and a ball of string for use in the office 100/=

3rd – postage of a parcel cost 100/= and paid a telephone bill 900/=

4th – purchased envelopes for 150/= and one ream of photocopying paper 500/=

5th – paid for bus fare 500/= and made a telephone call costing 50/=

6th – purchased a window cleaning cream for 250/= and bus fare 200/=

8th – Received a cheque to replenish the imprest

8th – bought various office stationary for 400/=

9th – purchased postage stamps for 210/= and paid 950/ telephone bill

10th – paid train fare 600/= and taxi fare 250/=

11th – paid for office cleaning 150/=

12th – purchased two reams of writing paper 600/= and office dusters 300/=

14th – obtained a cheque from the cashier to replenish the imprest

Required:. Prepare the petty cash book for the two weeks

3. Mumji Enterprises maintain a petty cash book on an imprest system with weekly float of Kshs.40,000.

The following information relates to the week ended 7th June 2009:-

1st cash in hand was Ksh.7000

1st receives reimbursement from the chief cashier

1st paid wages Ksh.5500, bus fare Ksh.1250,Sugar sh.220 and stamps shs.150

2nd Bought stationery Ksh.5000

3rd Paid postage shs.200

4th Bought tea leaves shs.80 and shs.2000 for type writer repair

5th Bought coffee shs.340 and milk shs.800

7th Bought a ribbon for type writer shs.500, stencils shs.350 and bus fare shs.900

Required: - Prepare a petty cash book duly balanced on 7th June with the following columns.

Traveling, Wages, Stationary, Postage, tea and miscellaneous

4. The following transactions relate to Furaha traders for the month of July,2008

July 1 : Balance brought down cash sh.16,250 and Bank Shs.19,847

July2 : Sold goods worth Shs.1,348 to Patel and received a calculator in exchange

July 5 : Paid transport by cheque Shs.2,000

July 6 : Issued a cheque to Kerio Traders setting an invoice for Shs.10,000 deducting 2% cash discount

July 10: Transfer Shs.15 000 from cash till to bank

July 12: Sold goods for cash Shs.12,000 less 2% cash discount

July 13: Sold goods to Onyango on credit worth Shs.15, 000

July 14: The owner of the business withdrew Shs.3000 in cash to buy a present for his daughter

July 16 : Received a cheque from Kuria Shs.2,500 less 5 % cash discount

July 22 : Bought furniture from Babu Traders on credit worth Shs.16,500 and cash discount of 10% if payment is made within 2 weeks

July 24: Withdrew cash from bank for office use Shs8,000

July 26: The owner brought into the business Shs.9,000 cash

July 27: Issued a cheque to Babu Traders for amount due

July 28: Sold goods to Kuria worth Shs.5,000 for Shs.3,800 and received payment by cheque

July 30: Banked all cash and remained with Shs.100 in the cash till

Required; Prepare Furaha Traders three column cash book for the month of July, 2008

5. During the month of March 2010 the petty cashier of Nyangija distributors made the following payment after receiving an imprest of shs12, 000 from the general cashier.

March 3	traveling	3500
March 6	office expenses	1000
March 8	postage	1200
March 15	staff tea	800
March 19	stationery	2000
March 22	office expenses	800
March 24	staff tea	1000
March 26	sundry expenses	700
March 31	F. Benson a creditor	900

Required : Using the analytical columns below prepare a petty cash book of Nyangija distributors

- Traveling

- Office expenses
- Postage
- Stationery
- Staff tea
- Sundry expenses
- Ledger accounts

6. A petty cashier of Mugirango traders operates his petty cash book on an imprest system of sh. 2500. On I February 2009, he had cash in hand of Sh. 500 and was reimbursed the difference by the main cashier to restore his cash float. The following transactions took place during the same month of February 2009:

Feb 2nd paid taxi fare sh.150 and wages sh250
4th Bought five reams of paper for sh25 each and stamps for sh.30
7th Paid wages sh.250 and bought envelopes for sh.40
20th Bought tea for staff sh.70 and paid for water bills sh.56
28th Paid for electricity sh.80 and stamps sh.40

***Required*:** Prepare a petty cash book using the following analysis columns;

- Wages
- Traveling
- Stationery
- Postage
- Miscellaneous

19. SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY

1. Journalize the following transactions which took place in the business of W. Wanjala during the month of June 2009:-

June 1 Balance B/f from May 2009 were:-
Office furniture shs.50,000 and motor vehicle shs.100,000
June 2 Purchased office furniture on credit for shs.65,000 from Mwema furniture
June 10 Sold an old vehicle on credit to Omwami garage for shs.200,000
June 25. Discovered that a motor vehicle that had been bought on credit from Kanyere motor for Kshs.750,000, had been recorded in purchases account
June 28 Sold an old computer to classic academy on credit for ksh. 15,000

June 29 : Sold an old tractor whose book value is Kshs. 200,000 for Khs.250,000

to Goseta

2. Mr. Osodo, a sole trader in Mumias town does not keep complete set of accounting books. However, the following information was obtained from his general operation book for the year ending 31/12/209

	Shs.
Debtors balance on 1/1/2009	24000
Bad debts	2000
Creditors balance 1/1/2009	68000
Debtors balance on 31/12/2009	72000
Discount allowed	18000
Creditors balance on 31/12/2009	83600
Returns inwards	5600
Cash paid to creditors	590000
Returns outwards	10200
Cash received from debtors	298000
Discount disallowed	1000
Dishonored cheques	36000
Discount received	6000

Additional information

He also disclosed that he had paid cash purchases amounting to Shs.483400 and received cash sales of Shs.70000 for the year

Required; i) Prepare total debtors account and total creditors account

ii) Calculate total purchases and total sales for the year

3. On 1st June 2009, **Nyamira Traders** had cash in hand shs.87,000 and cash at bank Shs.250,000. During the month, the following transactions took place:-

2009 June 2:-Cash sales shs.50,000 issued Receipt No.063

3:- Paid salaries and wages shs.101,500 by cheque ; cheque no. 083

6:- Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount of 4% issued a receipt No. 064

12:- Settled Omwabo's account of shs.40,000 in cash, having deducted shs.800 cash discount. Received recipt no. 0656

18:- Withdrew shs.30,000 from bank for office use

21:- Received shs.16,500 cash from Manwari in settlement of his account less shs.660 cash discount. Receipt No. 065

22: - Bought office furniture by cheque shs.85,000. Receipt No. 734

23:- Paid wages Shs.24,000 in cash receipt No. 801

28:- Withdrew shs.5000 cash for private use

30:- Received a cheque for shs.150,000 in respect of cash sales . Receipt No. 066

Required: Prepare:- (i) A cash receipts journal

(ii) A cash payment journal

4. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	**Cr (Shs)**
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

i. Closing stock was valued at Shs.72000

ii.Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300

iii.Depreciation on equipment is 10% p.a on cost

iv.Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

5. During the month of March 2010 the petty cashier of Nyangija distributors made the following payment after receiving an imprest of shs12, 000 from the general cashier.

March 3 traveling	3500
March 6 office expenses	1000
March 8 postage	1200
March 15 staff tea	800
March 19 stationery	2000

March 22	office expenses	800
March 24	staff tea	1000
March 26	sundry expenses	700
March 31	F. Benson a creditor	900

Required: Using the analytical columns below prepare a petty cash book of Nyangija distributors

- Traveling
- Office expenses
- Postage
- Stationery
- Staff tea
- Sundry expenses
- Ledger accounts

6. The following extracted from the books of Mogusii Ltd. 2005

March 1. Credit purchases from Obwocha Sit 1200

Agwata sh. 3,000 and Nyauamba sh.2,500

March 5 Credit sales to Okero Sit 2,000, Michieka sh.4,300 and Omwenga sh. 1500

March 10 Credit purchases from Onyancha Sh.2700

Obwocha sh 6600 and Ombaki sh.3300

" 20 Returned goods to Obwocha sh.250 and Onyancha 703

26 Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900

" 30 GoodswereretumedbyBundish.I50andMichiekasitl30

Required: ***Enter the above transactions in their relevant day books***

20. FINANCIAL STATEMENTS

1. The following information was extracted from Jaribu traders on 31st December 2009

Stock turnover	5
Mark up	25%
Cost of sales	60,000
Closing stock	8,000

Required: i) Net sales

ii) Average stock

iii) Opening stock

iv) Net purchases

2. The following trial balance was extracted from Vumilia traders as 31st December 2006

	Dr	Cr
Capital		125,000
Purchases	45,000	
Carriage on sales	2,000	
Stock	25,000	
Sales		120,000
Carriage on purchases	1,200	
Insurance	5,900	
Salaries	12,450	
Discount allowed/ Discount received	3,400	1,950
Debtors/creditors	25,000	15,500
Bank	14,500	
Machinery	128,000	
	262,450	262,450

Additional information:

-closing stock 25,000

-Outstanding salaries 450

-Insurance 900 has been paid in advance

-Depreciate machinery by 10% on cost

Required: i) trading, profit and loss a/c

ii) Balance sheet

3. The following balance sheet was prepared by the accounts clerk of Mapato traders:-

Mapato traders
Balance sheet
As at 31st dec 2009

Fixed assets			
Land and building	300 000	capital	422 930
Furniture and fittings	51 500	+net profit	220 500
Machinery	140 000		643 430
Motor vehicle	190 000	-drawings	175 000
	681 500		468 430
Current assets		long term liabilities	
Stock	124 500	mortgage loan	30 000
Debtors	103 650	bank loan	400 000
Cash at bank	54 850		430 000
Cash at hand	3650	current liabilities	
	286 650	creditors	99 730
	968 150		968 150

Requirements:

Calculate the following

i) Working capital

ii) Return on capital

iii) Current ratio

iv) Capital employed

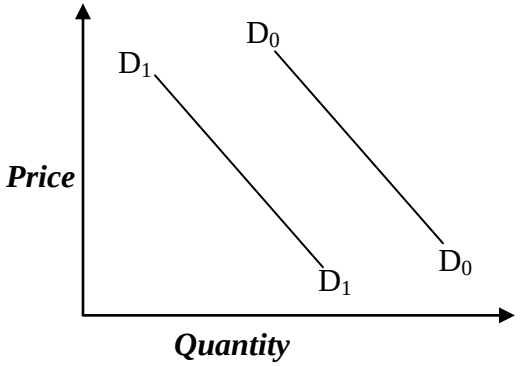
v) Borrowed capital

4. The following information was extracted from books of Chunga Traders for the period ending 31/12/2000:-

Fixed assets – 350,000
Drawings – 50,000
Creditors – 50,000
Cash – 60,000
Discount received 4,000
Rent – 12,000
Bank overdraft – 10,000
Debtors – 20,000
Stock (31/12/2000)-30,000
Commission received – 6,000
Gross profit – 80,000
Electricity – 3,000
Stock (11/1/2000) – 50,000
Salaries – 20,000

(a) ***Prepare:***- (i) Their profit & loss account

5. The following graph shows a shift in demand from D_0D_0 to D_1D_1



(i) State **four** possible reasons for the above shift

(ii) Their balance sheet

5. The following balances were extracted from the books of **Nyamaiya Traders** on 31st May 2009:-

	shs.
Gross profit	400,000
Equipment	900,000
Furniture	500,000
Provision for depreciation on furniture	65,000
Power & lighting	24,000
Commission received	170,000
Stock (31.05.09)	35,000
General expenses	240,00
Debtors	350,000
Provision for bad debts	3,000
Creditors	550,000
Discounts allowed	29,000
Discounts received	40,000
Cash in hand	150,000

Additional information

(i) Depreciation to be provided as follows: – Equipment 20% on cost
– Furniture 10% on book value

(ii) Adjust provision for bad debts to shs.3500

(iii) Commission received in advance amounted to shs.10,000

Required: Prepare:- (i) Profit and loss account for the year ended 31st May 2009

(ii) Balance sheet as at 31st May 2009

6. The following trial balance was extracted from the books of Fula Traders on Dec. 31, 2005

FULA TRADERS

TRIAL BALANCE

AS AT DEC. 31, 2005

	Dr.	**Cr.**
	Shs.	**Shs.**
Sales		600,000
General expenses	60,000	
Rent expenses	10,000	
Commission received		20,000
Motor vehicle	600,000	
Furniture	240,000	
Cash	50,000	
Creditors		180,000
Debtors	120,000	
Purchase	400,000	
Sales returns	20,000	
capital		700,000
	1,500,000	**1500,000**

Additional information

I. Stock at Dec. 31, 2005 was valued at shs.60,000

II. Depreciation to be provided as follows:

(a) Motor vehicle 20% per annum on cost

(b) Furniture 10% per annum on cost

Required:-

(i) Trading profit and loss account for the year ended Dec. 31, 2005

(ii) Balance sheet as at Dec. 31, 2005

7. The following information relates to Joy Traders for the year ended Dec. 31, 2006

Turnover	270,000
Margin	40,000
Rate of stock turnover	6times
Expense	40,000

Calculate: (i) Gross profit

(ii) Cost of sales

(iii) Net profit

(iv) Average stock

(v) Mark –up

8. The following information relates to Kipgaa traders for the year 2006:-

	Kshs.
Turnover	270,000
Margin	40%
Rate of turnover	6 times
Expenses	40,000

From the information given above,

Calculate: (i) Gross profit

(ii) Cost of goods sold

(iii) Average stock

9. (a) Two firms **X** and **Y** engage in similar lines of business had the following records in 2009;

	Firm X	Firm Y
Average stock at cost	shs.8,000	shs.7000
Rate of stock turnover	6.4times	6.5times
Average mark-up	20%	20%
Expenses	shs.5,632	shs.4,186
Capital	shs.30,720	shs.24,570

(a) For each firm, calculate: (i) The cost of sales
(ii) Gross profit
(iii) Rate of return on capital

(b) Giving a reason, state the firm which is better

10. The following information relates to Ladopharma Chemist as at 30th November 2008

	Dr (shs)	Cr (shs)
Stock (30th Nov 2007)	23 910	
Capital		30 955
Drawings	8 420	
Bank	3 115	
Cash	295	
Debtors	12 300	
Creditors		9 370
Motor vehicles	4 100	
Equipment	6 250	
Sales		130 900
Purchases	92 100	
Returns inwards	550	
Carriage inwards	215	
Return outwards		307
Carriage outwards	309	
Motor expenses	1 630	
Rent	2 970	
Telephone charges	405	
Wages	12 810	
Insurance	492	

Office expenses	1 377

Sundry expenses	284	
	171 532	171,532

Stock as at 30th November 2008 was shs 27 475

Required: prepare

i) The trading, profit and loss account

ii) A balance sheet as at 30th November 2008

11. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	**Cr (Shs)**
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

(i) Closing stock was valued at Shs.72000

(ii) Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300

(iii) Depreciation on equipment is 10% p.a on cost

(iv) Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

12. The following trial balance relates to Jakobura Stores

	DR	**CR**
Gross profit		85,000
Debtors	95,500	
Motor vehicle	150,000	
Furniture	30,000	
Bank	62,000	
Stock	52,500	
Provision for depreciation on Motor vehicle		16,000

Provision of depreciation on Furniture		2,620
Salaries	64,000	
Building	180, 000	
General expenses	45,200	
Creditors		75,000
Commission received		42,800
Equipment	55,200	
Electricity	15,420	
Capital		528,400
	749,820	749,820

Additional information

(i) Profit margin was 20%

(ii) Stock as at 1st January was valued at Ksh. 48,000

(iii) Depreciation was provided as follows:

(a) Motor vehicle 25% p.a on cost

(b) Furniture 7% p.a on cost

(iv) On 31st Dec 2006, equipment was valued at Ksh. 48,576 and general expenses outstanding were Ksh. 1,200

(v) A bill of Khs.340 which was paid for a private residence was included in the electricity account .

Required:-. Prepare a trading profit and loss account for the year ended 31st Dec 2006

13. The following information relates to Odongo Traders for the year ended 31.Dec. 2008.

Land	shs.50,000
Capital	shs.94,000
Machinery	shs.20,000
Motor vehicles	shs.30,000
10 year bank loan	shs.20,000
5 year AFC loan	shs.10,000
Stock	shs.10,000
Debtors	shs.6,000
Creditors	shs.6,000
Accrued expenses	shs.2,000
Cash at bank	shs.10,000

Cash in hand shs.2,000

Drawings shs.4,000

Required:

i) A balance sheet as at 31st Dec. 2008

ii) Calculate -borrowed capital

-current ratio

-capital owned

14. Prepare a trading and profit and loss account for the year ended 30th June 2008 and a balance sheet as at date from the following trial balance;

Bosongo wholesalers **Trial balance as at 30th June 2008**		
Stock on 30/6/2007	400	13,870
Capital and drawings	600	7,000
Purchases and sales	3,500	
Furniture and fittings	2,000	
Motor vehicles	15,000	
Debtors and creditors	800	1,200
Returns	150	200
Discounts	90	80
Rent		100
Insurance	210	
Bank		300
	22,750	22,750

Closing stock shs. 5.00

21. INCOMPLETE RECORDS

1 **Kemoko**, a trader does not keep a complete set of accounting records. A summary of his bank account for the year ended 31st Dec. 2008 is given below:

Bank account summary

Cash sales	47,500	Balance b/f	30,000
Trade debtors	170,000	Trade creditors	250,000
Commission	65,000	Rent & Rates	5,000
Balance c/f	20,500	Sundry expenses	4,000
		Wages	7,750
		Lighting	3,750
		Insurance	2,500
	303,000		**303,000**

The following information was also available:-

	01/01/08	**31/12/08**
Stock	45,000	27,500
Creditors	100,000	125,000
Debtors	75,000	115,000
Machinery & Equipment	432,000	425,000

Required: -Prepare Kemoko's Trading, profit and loss account for the year-ended 31st Dec. 2008

2. Explain **five** distinctions between statement of Affairs and a balance sheet

22. MONEY AND BANKING

1. Explain **five** characteristic of a monopolistic market.
2. Highlight any **five** modern trends in the Banking industry in Kenya
3. Explain **five** ways in which commercial banks have enhanced the development of business activities in the country
4. Explain **five** ways through which the central bank of Kenya can expand the supply of money in an economy

5. Explain **five** methods of payments offered by commercial Banks in Kenya
6. Explain **five** factors that can lead to a cheque being dishonoured

7. Explain **four** emerging trends in the banking system
8. Banking has played a major role in Kenyan's economic development. Explain **five** current trends in banking sector

23. PUBLIC FINANCE

1. Discuss **five** principles of taxation
2. Outline **five** sources of non- tax public revenue
3. Explain **five** principles of public expenditure
4. Highlight **five** reasons for imposition of tax by the government
5. Discuss **five characteristics** of a good tax system
6. Outline **five** reasons why the Kenya government must impose tax.

24. INFLATION

1. Explain **five** negative effects of inflation to an economy
2. Explain **five** positive inflation effects of inflation to the economy.
3. Explain **five** causes of inflation in an economy
4. Write short notes on the following strains of inflation;
   i) Mild inflation
   ii) Hyper inflation
   iii) Demand-pull inflation
   iv) Cost push inflation
   v) Imported inflation

25. INTERNATIONAL TRADE

1. Explain **five** benefits that will accrue to a country due to use of pipeline in transporting oil products
2. Explain **five** advantages that a country may experience from imposing trade restrictions in trading partners.
3. Explain **five** benefits that the Kenyan government desires to achieve by being a member of the East African Union
4. Discuss **five** reasons why many countries tend to prefer free trade
5. Discuss **five** causes of the persistent balance of payment disequilibrium in East African countries
6. Explain **five** measures that the Government of Kenya may take to control her persistent Balance of payment deficit
7. Explain **five** advantages of economic integration to a member state.

26. ECONOMIC DEVELOPMENT AND PLANNING

1. Discuss **five** principles of taxation
2. Highlight distinguishing features between developing and developed countries.
3. Explain **five** obstacles in the implementation of development plans in the developing countries
4. Every third world country aspires to develop but it is faced with some obstacles. Explain **five** of such obstacles to economic development
5. Every third world country aspires to develop but it is faced with some obstacles. Explain **five** of such obstacles to economic development
6. Explain **five** factors that have frustrated economic development in a developing country like Kenya for the last few decades
7. The national budget is drawn before the beginning of every financial year by the government discuss **five** functions it plays as a planning tool
8. Explain **five** challenges that Kenya is facing in the implementation of her development plans
9. a) Explain **five** changes that may take place when a country is experiencing economic development

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