MOKASA JOINT EXAMINATION
Kenya Certificate of Secondary Education

565/1 - BUSINESS STUDIES – Paper 1

March 2019 – 2 hours

Name: ..... **Index No.:** .....

Candidate's Signature: ..... **Date**: .....

Instructions to candidates

(a) Write your name and index number in the spaces provided above.
(b) Sign and write the date of the examination in the spaces provided above.
(c) Answer all questions.
(d) All answers should be written in the spaces provided in this booklet.
(e) This paper consists of **8** printed pages.
(f) Candidates should check the question paper to ascertain that all the pages are printed as indicated and no questions are missing.
(g) Candidates should answer the questions in English.

For Teacher's Use Only

Question	1	2	3	4	5	6	7	8	9	10	11	12	13
Marks													

Question	14	15	16	17	18	19	20	21	22	23	24	25
Marks												

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TOTAL MARKS

1. Highlight **four** difficulties faced by a consumer in the satisfaction of human wants.

   (4 marks)
   - *Human wants keep on changing with time/age/gender*
   - *Human wants keep recurring*
   - *Some wants are habit forming*
   - *Resources used to satisfy human wants are scarce*
   - *Human wants are competitive*
   - *Human wants are too many/numerous/endless/unlimited*

2. State **four** contents of a business plan.
   (4 marks)
   - ***Business Description*** *– gives details of the owner(s) of the business, type of business, location and products to be sold.*
   - ***Executive Summary*** *– gives a brief history of a business, goods and services to be produced and financial needs.*
   - ***Marketing plan****- describes the market and how the business will sell its products*
   - ***The Organizational plan*** *- shows how the business will be managed, role and duties of managers and other employees*
   - ***The operational plan*** *– shows how the product will be produced and the cost and source of raw materials and other inputs*
   - ***Financial plan*** *– shows the amount of capital needed, sources, and other financial details*
   - ***Projections*** *- in terms of cash flows, and budgeted financial statements*

3. Outline **four** attributes of a good office worker.
   (4 marks)
   - *Physical appearance – respected way of dressing and use of make ups*
   - *Maintaining a high level of hygiene*
   - *Adopting a good posture – the way of sitting/walking/posture*
   - *Displaying a high standard of moral behavior*
   - *Being of good health and physically fit to enable one to work efficiently*

4. Highlight **four** circumstances under which a debit note may be issued by the seller.

   (4 marks)
   - *When correcting arithmetic mistakes in calculations*
   - *When some items were omitted during preparation of the invoice*
   - *When items were charged lower prices*
   - *When discounts allowed were not captured in the original invoice*
   - *Where a buyer retains/fails to return the packaging containers/crates*

5. The cost of consumer goods in a basket of an average family is given below.

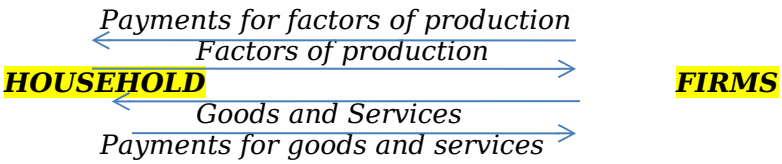
Year	2016	2017
	Ksh	Ksh
Maize flour	90	110
Sugar	100	115
Rice	80	90

Determine the consumer price index using 2016 as the base year. (4 marks)

Commodities	*Price in (Base Yr) 2016*	*Index of Base yr*	*Price in current Yr (2017)*	*Index in Current Yr*
Maize flour	*90*	*100*	*110*	*122.22√*
Sugar	*100*	*100*	*115*	*115√*
Rice	*80*	*100*	*90*	*112.5√*
		Average 300/3 =100		*Average = 349.72/3 = 116.57√*

6. Highlight **four** factors that determine the fertility rate in a given economy. (4 marks)
   - *Age of women at marriage*
   - *Health and education levels of the people*
   - *Famine/epidemics and war outbreaks*
   - *Socio economic considerations i.e. cost of bringing up children*
   - *Government policies and programs i.e. family planning.*

7. By aid of a diagram, outline the circular flow of income in a two sector economy. (4 marks)



8. The following information relates to four businesses A, B, C and D. Fill in the missing figures. (4 marks)

Business	***Assets Shs***	***Capital Shs***	***Liabilities Shs***
A	*4,010,000*	*3,210,000*	***800,000***
B	***9,523,100***	*9,312,000*	*211,100*
C	*1,301,111*	***888,998***	*412,113*
D	*13, 917,331*	*11,716,000*	***2,201,331***

9. State **four** reasons that may lead to dissolution of a parastatal. (4 marks)
   - *Persistent loss making*

- *Due to change in the act of parliament that formed the corporation*
- *Due to Bankruptcy*
- *Privatization of a parastatal*
- *Mismanagement resulting to poor performance of a parastatal*

10. Give **four** importance of a warehouse to a trader. (4 marks)

- *Ensure steady flow of goods into the market*
- *Ensures that the prices are stable*
- *Ensure that goods are protected from risks such as theft, fraud, damage*
- *Ensure continuity in production*
- *Goods can be prepared for sale*
- *Enables the traders to look for market*

11. Outline **four** benefits of the standard gauge railway (SGR) to the Kenyan economy.

(4 marks)

- *Relatively lower cost of transport is relatively low*
- *Faster means of transport*
- *Reduced traffic jams in roads*
- *Reduced wear and tear of roads*
- *Reduced air pollution*
- *Enables transporters plan for the transport of their goods – scheduled train travel times*
- *Relatively secure means of transport*

12. Outline the steps that are followed in the personal selling process. (4 marks)

- *Identifying the prospective customer(s)*
- *Preparing the sales presentation*
- *Establishing the customer contacts*
- *Arousing interest in the product*
- *Dealing with the customers objections*
- *Closing the sale*
- *Giving after sales services*

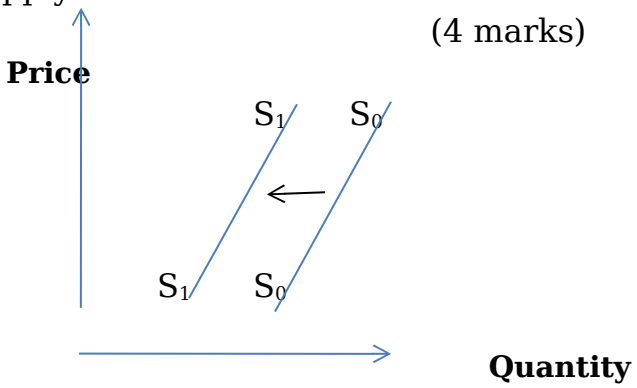
13. Highlight **four** channels that a fish farmer may use to distribute her produce in a local market. (4 marks)

- *Fish Farmer* → *Consumer*
- *Fish farmer* → *Retailers* → *Consumer*
- *Fish farmer* → *Wholesaler* → *Retailer* → *Consumer*
- *Fish farmer* → *Cooperative* → *Retailer* → *Consumer*

14. State **four** characteristics of a market.
(4 marks)

- *Goods/services to be provided*
- *Buyers*
- *Sellers*
- *Medium of exchange*

15. Highlight **four** factors which may have led to a shift in the supply curve as illustrated below.
(4 marks)



- *Poor/low state of technology*
- *An increase in prices of related products*
- *Unfavorable natural factors e.g. floods, diseases*
- *A rise in the cost of production*
- *Unfavorable government policies*
- *Where it takes longer time to adjust to production*

16. State **four** items of information one can obtain from an insurance policy. (4 marks)

- *Period in which policy is effective*
- *Name of the insured*
- *Premium to be paid*
- *The risk covered/insured against*
- *Terms and conditions of the insurance contract*

17. Outline **four** advantages of using written communication in an organization.

(4 marks)

- *Provides evidence for future use in case of a problem*
- *The information cannot be distorted as it is on record*
- *It is cheaper to use in communicating*
- *It is suitable for sending long and complicated messages e.g. Diagram, pictures, books etc*
- *Suitable for sending confidential messages*
- *Several copies can be made and send to many people*
- *It is very accurate in sending the messages*
- *Firms used to send written messages are easily available e.g. post office and couriers*

18. Record the following transactions that took place in Otiende traders from 21st august to 24th August 2018 in the general journal. (4 marks)

2018

21st Aug: Bought furniture from Lowoi furniture mart at Sh 60,000 on credit

22nd Aug: Sold an old machinery on credit to Muchina at Sh. 90,000

23rd Aug: Bought a lawn mower from Farm holdings ltd on credit Sh. 80,000

24th Aug: Purchased a water tank worth Sh. 140,000 on credit from Kentank ltd

Journal proper

Date	***Details***	***Dr***	***Cr***
21/08/2018	*Furniture a/c* *Lowoi Furn mart a/c* *Record of purchase of furniture on credit*	*60,000*	*60,000*
22/08/18	*Muchina A/c* *Machinery A/c* *Record of sale of an old Machine on credit*	*90,000*	*90,000*
23/08/2018	*Lawn mower A/c* *Farm holdings Ltd A/c* *Record of credit purchase of a lawn mower*	*80,000*	*80,000*
24/08/18	*Water tank A/c* *Kentank Ltd A/c* *Being a credit purchase of a water tank*	*140,000*	*140,000*

19. Munyao an entrepreneur intends to start a business. Give **four** factors that he needs to consider when deciding on which goods to produce. (4 marks)

- *Profitability*
- *Level of existing competition*
- *Availability of resources i.e. raw materials, appropriate labour*
- *The existing Government policy*
- *Availability of Market*
- *The cost of production*

20. For each of the transactions given below indicate the accounts to be debited and the account to be credited. (4 marks)

Transactions	***A/c to Debit***	***A/c to Credit***
a). Started business with Shs. 400,000 in cash	*Cash*	*Capital*
b). Returned goods worth Shs. 21,000 to Nyayo traders	*Nyayo traders*	*Purchases returns/ Return outwards*
c). Banked Shs. 80,000 from cash till	*Bank*	*Cash*
d). Proprietor took goods from the business for family use	*Drawings*	*Purchases*

21. The following information was extracted from the books of Kisima wholesalers on 31st December, 2018.

(i) Opening stock sh. 300,000
(ii) Purchases sh. 1,550,000
(iii) Closing stock sh. 220,000
(iv) Margin 1/6

Required : Draw Kisima wholesalers trading account. (4 marks)

Kisima Wholesalers
Trading account
For the year ended 31/12/2018√

	Shs		Shs
Opening stock	*300,000√*	*Sales*	*1,956,000√*
Purchases	*1,550,000√*		
C.O.G.A.S	*1,850,000*		
Less Cl. Stock	*220,000√*		
C.O.S	*1,630,000√*		
Gross Profit	*326,000√√*		
	1,956,000		***1,956,000***

Marking 8√*½ = 4 marks

22. Outline **four** sources of non-tax revenue to a County Government. (4 marks)

- *Rent and rates paid for use of County Government property*
- *Licensing fee paid by those who want to operate business in the county*
- *Proceeds from sale of County Government property*
- *Central Government allocation to the County Government through CRA*
- *Dividends and interest earned from County Government direct investment*
- *Grants from National Government/International institutions/other nations/organizations*

23. State the business environment described in the statements given below. (4 marks)

Description	***Environment***
a).Formal arrangement of activities that are carried out at various levels of the organization so that its objectives can be achieved.	***Business Structure***
b). Factors that affect buyers ability to buy the goods and services offered by a business.	***Economic***
c). Norms that regulate behaviors of people in a society.	***Cultural***
d). a combination of employees' expectations, beliefs and values within the business.	***Business Culture***

24. State the ledgers in which each of the following accounts are kept. (4 marks)

	Ledgers
a). Rent Account	*Nominal Ledger*
b). Discount received Account	*Nominal Ledger*
c). Cash Account	C*ash book*
d). Creditors Account	*Purchases ledger*

25. Highlight **four** features of a fixed deposit account offered by commercial banks.

(4 marks)

- *Earns interest at an agreed rate*
- *Minimum amount is required to operate the account*
- *Certificate of deposit is issued*
- *Loss of accrued interest in case the account holder withdraws money before expiry of agreed period*
- *Account holder can withdraw all the money upon expiry of the deposit period.*