



565/1 - BUSINESS STUDIES - Paper 1

Nov. 2017 - 2 hours

Name Index Number

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 examination in the spaces provided above.
- (c) Answer **all** the questions.
- (d) All answers should be written in the spaces provided in this booklet.
- (e) **This paper consists of 12 printed pages.**
- (f) **Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**
- (g) **Candidates should answer the questions in English.**

For Examiner'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												

**TOTAL
MARKS**



1. State **four** elements of the demographic environment that may influence the operations of a business. (4 marks)

- (a)
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- (b)
-
- (c)
-
- (d)
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2. Outline **four** circumstances under which goods may be transported by use of containers. (4 marks)

- (a)
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- (b)
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- (c)
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- (d)
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3. The following information was extracted from the books of Salome Traders: Capital Ksh 1,119,300; Long term liabilities Ksh 1,807,000; and current liabilities Ksh 978,700.

Required

(a) Determine Salome Traders Rate of Return on Capital Employed if the business made a net profit of Ksh 438,945. (4 marks)

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(b) State the importance of the rate of return on capital employed. (1 mark)

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4. Highlight **four** indicators of economic growth that may be observed as a country progresses. (4 marks)

(a)
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(b)
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(c)
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(d)
.....

5. Chem Chemi Ltd is a new cement manufacturer. Outline **four** factors that may encourage this company to be established in Athi River town where other cement manufacturers are located despite the obvious competition. (4 marks)

- (a)
- (b)
- (c)
- (d)

6. Outline **three** ways through which a partnership may be formed. (3 marks)

- (a)
- (b)
- (c)

7. State **four** features of land as a factor of production. (4 marks)

- (a)
- (b)



- (c)
-
- (d)
-

8. State the principles of insurance described in the statements given below: (4 marks)

- (a) Restoring the insured's financial position after suffering loss from an insured risk.
.....
- (b) Existence of a very close relationship between the loss suffered and the insured risk.
.....
- (c) The insurer taking ownership of the remains of the destroyed property after the insured is duly compensated.
.....
- (d) Proof that the insured will suffer direct financial loss if property is destroyed.
.....

9. Highlight **four** items that would be included in the measurement of national income using the income approach. (4 marks)

- (a)
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- (b)
-
- (c)
-
- (d)
-



10. The table below shows general price changes over a period of five years:

Year	Price (Ksh)	CPI
2010	90.00	-
2011	100.80	-
2012	103.50	-
2013	105.30	-
2014	108.00	-

Using year 2010 as the base year, determine the consumer price index for years 2011, 2012, 2013 and 2014. (4 marks)

11. List **four** forms of retail businesses that a school leaver may engage in. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

12. Outline **four** benefits of using the internet for office communication. (4 marks)

- (a)
-
- (b)
-
- (c)
-

(d)
.....

13. The following information relates to Zawadi Traders rental income:

1.1.15 Had Ksh 50,000 in the rent income account at the beginning of the year.

10.6.15 Received Ksh 120,000 from tenants.

12.11.15 Refunded Ksh 20,000 to a tenant who had vacated the premises.

Required

Prepare Zawadi Traders Rental Income Account.

(4 marks)

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14. State **four** means of payment that may be provided by commercial banks to their customers.

(4 marks)

(a)
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(b)
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(c)
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(d)
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15. The equations given below relate to quantity demanded and quantity supplied at the equilibrium point:

$$Qd_e = 4P + 50$$

$$Qs_e = 8P + 30$$

Determine the equilibrium price and quantity.

(4 marks)

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16. Outline **four** ways in which the balance of payments of a country may be improved. (4 marks)

(a)

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(b)

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(c)

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(d)

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17. Identify the source documents into which the information given in the table below would be recorded. (4 marks)

Information		Source Documents
a.	Payments received from debtors.	
b.	Purchases made on credit.	
c.	Validating payments made by the cashier.	
d.	Requesting for additional payments from a debtor.	

18. Highlight **four** factors that should be considered by a firm when deciding on the method to use for promoting its products. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

19. Outline **four** features of money that enables it to facilitate the exchange of goods and services. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

20. Outline **four** benefits of proper filing to an organisation. (4 marks)

- (a)
- (b)
- (c)
- (d)

21. Highlight **four** characteristics of a monopolistic competitive market. (4 marks)

- (a)
- (b)
- (c)
- (d)

22. The aggressive campaign for citizens to plan their families seems to be causing a decline in the country's population growth. Outline **four** possible effects of this. (4 marks)

- (a)
- (b)

- (c)
-
- (d)
-

23. State **four** functions of commercial attachés. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

24. Outline **four** benefits that may be realised when two firms form a merger. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

25. Shaban started a shop dealing in ladies clothing but failed after two years. Outline **four** factors that may have caused this failure. (4 marks)

- (a)
-
- (b)
-
- (c)
-
- (d)
-

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