

THE KENYA NATIONAL EXAMINATIONS COUNCIL
Kenya Certificate of Secondary Education

565/1 - BUSINESS STUDIES - Paper 1

Nov. 2018 - 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
Score													

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

**TOTAL
SCORE**



1. Outline **four** features of labour as a factor of production. (4 marks)

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

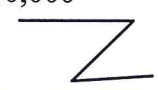
2. Outline **four** ways in which peace within a country may encourage entrepreneurial development. (4 marks)

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

3. State **four** duties of the office clerk. (4 marks)

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

4. The document shown below is used in home trade.

BABU TRADERS LTD		No. 25
To: Wakesho Ltd		Date: 25/10/16
P O Box 88		
KISUMU		
We have credited your account as follows:		
Being correction of arithmetic error in invoice No. 015.		
Error Total Sh 50,500		
Correct Total Sh 40,500		
Signature .LBO....	TOTAL	
		Amount
	Sh	Ct
	10,000	00
		00
	10,000	00

(a) Identify the document. (1 mark)

.....

(b) Outline **three** circumstances under which the above document may be used. (3 marks)

(i)

.....

(ii)

.....

(iii)

.....

11. Outline **four** roles of transport in the facilitation of trade. (4 marks)

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

12. State **three** circumstances under which firms would form a cartel. (3 marks)

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

13. Outline **four** conditions under which a manufacturer would distribute his products through the wholesaler. (4 marks)

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

14. State **four** reasons for maintaining a cash book in a business enterprise. (4 marks)

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

15. Apart from the forces of demand and supply, list **four** other ways in which the price of a product may be set. (4 marks)

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

16. Outline **four** factors that would make two people taking the same type of life assurance policy with the same insurer to pay different amounts of premium. (4 marks)

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

17. State the line of communication involved in each of the following: (4 marks)

(a) The Manager of ABC Company Ltd talking to the Manager of XYZ Company Ltd.

.....

(b) A secretary asking for time off from her boss.

.....

(c) The Production Manager giving instructions to the Secretary of the Sales Manager.

.....

(d) The Store Keeper giving explanations to the Chief Accountant.

.....

18. List **four** books of original entry that may be used to record transactions affecting stock. (4 marks)

(a)

(b)

(c)

(d)

19. Highlight **four** external economies of scale that a firm may get when operating on a large scale. (4 marks)

(a)

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(b)

.....

(c)

.....

(d)

.....



20. The following information was extracted from the books of Leila Traders on 31st July 2016:

Details	Sh
Capital	90,000
Fixed Assets	80,000
Cash in hand	20,000
Current liabilities	20,000
Stock	20,000
Net profit	15,000
Drawings	5,000

Calculate:

(a) Capital owned (2 marks)

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(b) Acid test ratio (2 marks)

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72

(12/13



21. Watamu Enterprises had the following assets and liabilities on 1st May 2014:

Particulars	Sh
Equipment	800,000
Capital	1,200,000
Creditors	100,000
Debtors	200,000
Stock	250,000
Cash at bank	50,000

The following transactions took place on 2nd May 2014:

- (i) Bought goods for re-sale Sh 150,000 on credit
- (ii) A debtor paid Sh 100,000 by cheque
- (iii) Sold the equipment for Sh 900,000 cash

Required: Prepare Watamu Enterprises balance sheet after the above transactions. (5 marks)

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22. Outline **four** merits of indirect taxes. (4 marks)

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

23. Highlight **four** ways in which the technological environment may improve business performance. (4 marks)

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

24. Identify the types of ledger in which each of the following accounts would be found: (4 marks)

	Account	Type of ledger
a	Otieno (buyer)	
b	Carriage outwards	
c	Mueni (supplier)	
d	Cash at bank	

25. Highlight **four** ways in which the introduction of money helped eliminate problems faced in barter trade. (4 marks)

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

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