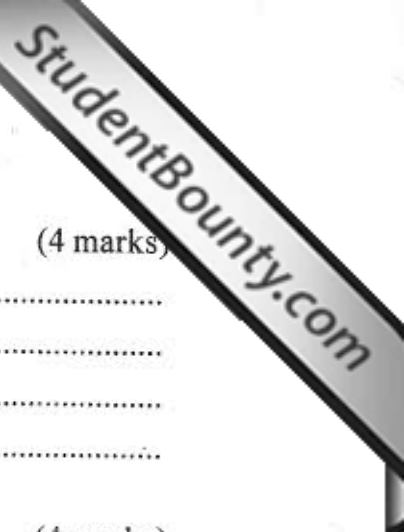


K.C.S.E BUSINESS STUDIES 2006
PAPER 1 (565/1)



1. State **four** advantages of operating a partnership form of business. (4 marks)

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

2. Outline **four** risks which a shopkeeper may insure. (4 marks)

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

3. Give **four** ways in which a government may participate in the operations of a state corporation. (4 marks)

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

4. Outline **four** considerations that a seller should take into account before giving credit to a new customer. (4 marks)

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

5. The table below shows the occupations in production. Indicate the level of production associated with each of the occupations. (4 marks)

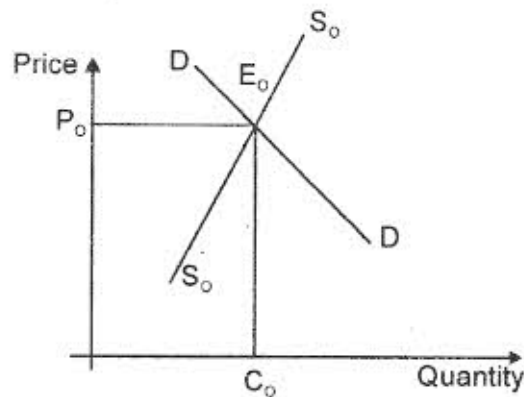
Occupation	Level of production
(a) Mining	_____
(b) Oil refining	_____
(c) Insurance	_____
(d) Teaching	_____

6. What are the advantages of personal selling as a method of sales promotion? (4 marks)

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

7. The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price (P_0) and quantity (Q_0)

On the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity. (4 marks)



8. Give four assumptions that are associated with perfect competition. (4 marks)

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

9. List **four** types of unemployment in an economy and give the cause for each. (4 marks)

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

10. What benefits may accrue to a manufacturing firm that uses modern technology?(4 marks)

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

11. Highlight **four** benefits of using electronic filing system. (4 marks)

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

12. State **four** social responsibilities that a manufacturing firm should have on the community. (4 marks)

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

13. What factors may encourage entrepreneurship in Kenya? (4 marks)

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

14. Highlight **four** characteristics of economic resources. (4 marks)

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

15. Give four reasons why one would prefer a letter to a telephone to send a message. (4 marks)

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

16. State the effect of each of the following transactions on the balance sheet by writing increase, or decrease or no effect in each case. (4 marks)

Transaction	Effect
(a) Bought machinery on credit	_____
(b) Withdrew cash from the business for personal use	_____
(c) Purchased stock in cash	_____
(d) Paid outstanding loan by cheque	_____

17. The following balances were extracted from the books of Chebi Traders for the month ended 31 March 2005.

	Sh.
Sales	420,000
Purchases	240,000
Motor van	300,000
Equipment	120,000
Debtors	80,000
Creditors	40,000
Expenses	160,000
Capital	440,000

Prepare trial balance of Chebi Traders for the month ended 31 March 2005. (4 marks)

18. The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 December, 2005.

	Sh.
Sales	500,000
Purchases	320,000
Opening stock (1.1.2005)	80,000
Closing stock 31.12.2005	40,000
Debtors	140,000
Creditors	90,000

Calculate

- (a) Margin
- (b) Current ratio
- (c) Rate of stock turnover

(4 marks)

19. Outline **four** benefits of direct taxation to the government.

(4 marks)

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

20. State **four** factors that may cause inflation in an economy.

(4 marks)

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

21. Outline **four** ways that the World Bank may use to assist developing countries to improve their economies. (4 marks)

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

22. State **four** problems that a planner may encounter in development planning. (4 marks)

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

23. Outline **four** benefits to a trader who operates a small retail outlet. (4 marks)

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

24. Study the table below and calculate the values represented by the letters a, b, c and d. (4 marks)

Output units sh.	Total cost sh.	Marginal cost sh.	Average fixed costs sh.	Variable costs sh.	Average total costs sh.
0	4000	0	(a)	0	-
1	4200	200	4000	(b)	4200
2	5400	(c)	2000	700	2700
3	6600	1200	1333	867	(d)

25. The following balances were extracted from the books of Wanji Traders for the year ended 30 June 2005.

	Sh
Debtors	120,000
Creditors	60,000
Machinery	450,000
Cash in hand	70,000
Cash at bank	180,000
5 year loan	270,000
Stock	60,000

Prepare a balance sheet of Wanji Traders as at 30 June 2005.

(4 marks)