

1. State four duties of an office clerk. (4 marks)

- ✓ Handling mails
- ✓ Duplicating documents
- ✓ Indexing and filing
- ✓ Helps in store-keeping or record keeping
- ✓ Ordering, receiving, storing and issuing of stationery
- ✓ Operating various office machines

2. Highlight four ways in which effectiveness of a warehouse may be improved. (4 marks)

- ✓ By locating it at a suitable/convenient place near to customers/market.
- ✓ By equipping it with proper and appropriate facilities/equipments for handling the type of goods stored.
- ✓ By locating it at a secure place and taking insurance cover ...
- ✓ Ensuring there is proper transport and communication facilities for...
- ✓ Hiring efficient/trained staff to handle the goods.
- ✓ Ensuring it has adequate space for storage of commodities.

3. Give four features of Kenya Re-insurance company (KenyaRE). (4 marks)

- ✓ Commands large financial resources
- ✓ It is empowered by law to insurance companies.
- ✓ Government has a stake in it.
- ✓ Guarantees compensation.
- ✓ Only deals with corporate insurance clients.

4. Outline four ways in which aids to trade facilitate trade. (4 marks)

- ✓ Transportation of goods bridges place utility.
- ✓ Warehousing enhances time utility and continuous supply of goods.
- ✓ Safe custody of cash is achieved/loan capital for investment is availed through banking.
- ✓ Insurance boosts confidence in investors as it guarantees security in their investments.
- ✓ Communication enhances sharing of ideas, information, suggestions which bridges possession utility.

5. The following information was extracted from the books of Salome Traders: Capital Kshs 1,119,300; Long-term liabilities Kshs 1,807,000; and current liabilities Kshs 978,700.

Required:

a) Determine Salome Traders Rate of Return on Capital Employed if the business made a net profit of Kshs 438,945. (2 marks)

$$CE = C + LTL$$

$$= 1,119,300 + 1,807,000$$

= Rate of Return on Capital Employed

$$ROCE = NP/CE \times 100$$

ALLIANCE HIGH SCHOOL  
Kenya Certificate of Secondary Education



1-6 Mr Ochengi P  
7-12 Mr Masiaga  
13-19 Mr Mburu  
20-25 Mr Mureithi - Form 4

565/1

BUSINESS STUDIES  
Thursday 8<sup>th</sup>, September, 2022  
TRIAL EXAM 2022 – 2 Hours

Name..... Admission number..... Class.....  
Candidate's signature..... Index number ..... Teacher .....

Instructions to Candidates

- a. Write your name, index number, admission number and class in the spaces provided above.
- b. This paper consists of 25 questions.
- c. Answer all questions in the spaces provided.
- d. Non-programmable silent electronic calculators may be used.
- e. This paper consists of 12 printed pages.
- f. The candidate 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.

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SECTION A (565/2)

| 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



Turn over

30<sup>th</sup>, September, 2021 - Refunded 30,000 to a tenant who had vacated the premises.

Required:

Duly balanced Bizna traders' rental income account.

(4 marks)

| BIZNA TRADERS<br>RENTAL INCOME A/C |         |       |                             |
|------------------------------------|---------|-------|-----------------------------|
| DR                                 |         | CR    |                             |
| DATE                               | DETAILS | FOLIO | AMOUNT                      |
|                                    |         |       | 01/09/21 Balance b/d 80,000 |
|                                    |         |       | 10/09/21 Tenant 120,60      |
| 30/09/21                           | Tenant  |       | 30,0000                     |
| 30/09/21                           | Balance | c/d   | 170,000                     |
|                                    |         |       | <u>200000</u>               |
|                                    |         |       | <u>200,000</u>              |

10. Briefly describe any four types of unemployment that are common in a developing country. (4 marks)

- ✓ Seasonal unemployment. This is a type of employment that is characterized by changes in demand for labour during different seasons. For example in agriculture demand for labour is high during harvesting and planting seasons
- ✓ Structural unemployment. This is a type of employment which is caused by the mismatch in the skills of the job seeker and the skills required in the job market due to changes in production methods e.g. Use of ATMs which have reduced staff in the banks. It may also be caused by differences in the locations of the employer and the job seeker
- ✓ Frictional unemployment. This is unemployment which occurs when workers are unemployed after losing jobs and are actively looking for new jobs.
- ✓ Cyclical unemployment. It is also known as mass unemployment, demand deficit unemployment or general unemployment. It is a type of unemployment which is caused by changes in economic performance such that when the economy is doing well, employment level is high than when the economy is doing poorly
- ✓ Voluntary unemployment. It is also known as real wage unemployment. This is unemployment which is caused by a mismatch in wages demanded by job seekers and those offered by firms. Firms may be offering lower wages than what job seekers want to be paid; as such many job seekers will remain unemployed voluntarily

$$CE = 438,945 / 2,926,300 \times 100 = 15\%$$

b) State two importance of the rate of return on Capital employed. (2 mark)

- ✓ It enables the business to determine the rate at which net profit is generated in relation to the total investment into the business with similar ones.
- ✓ Shows whether the finances of the business have been invested wisely or not..
- ✓ To compare the performance of the business with similar ones.

6. Identify the type of production activity associated with each of the following utilities. (4 marks)

| Utility        | Production Activity         |
|----------------|-----------------------------|
| i. Time        | Warehousing/Storage         |
| ii. Place      | Transport/Distribution      |
| iii. Form      | Manufacturing/Construction  |
| iv. Possession | Trade/Wholesaling/Retailing |

7. State four differences between equity financing and debt financing. (4 marks)

| Debt financing (Raising capital through sale of debentures) | Equity financing (Raising capital through sale of ordinary shares) |
|---|--|
| Usually redeemable  | It is a permanent source of capital                                |
| Payment of interest on finance is a legal obligation        | Payment of dividends is not a legal obligation                     |
| Rate of interest on finance is fixed                        | Rate of dividends varies with the amount of profit realised        |
| Involves costs such as insurance and security               | Does not involve such costs  |
| It is usually secured                                       | It is not secured  |

8. Outline four roles played by Kenya chamber of commerce and industry. (4 marks)

- ✓ Issues certificates to those who want to export goods to other countries
- ✓ Informing members on all the registration requirements affecting their businesses
- ✓ Acting as an agent between the government and businessmen on matters relating to business activities
- ✓ Holding courses for the members and discussing problems affecting their businesses
- ✓ Publishing business journals for members and interested parties
- ✓ Organising trade shows and participating in national shows
- ✓ Organising participation in trade shows outside the country
- ✓ Collecting statistics which are vital for government budgeting

9. The following information relates to BiznaTraders rental income.

1<sup>st</sup>, September, 2021 – Had Kshs. 80,000 in the rent income account at the beginning of the year.

10<sup>th</sup>, September, 2021 – Received kshs. 120,600 from tenants.



ii. Borrowed capital. (1 mark)

$$(175,000 + 35000) = 210,000$$

iii. Working capital. (1 mark)

$$CA - CL$$

$$45,500 - 35,000 = 10,500$$

iv. Capital employed. (1 mark)

$$C.O + LT.L$$

$$543,000 + 175,000 = 718,000$$

13. Ndayi issued a credit invoice of 399,999 shillings to Sipangwingwi on 3<sup>rd</sup>, August, 2022. Terms of trade were 7.4% cash discount if payment is made within 30 days and trade discount of 6.9%.

a) Calculate the amount Sipangwingwi paid if he partially paid 250,000 shillings on 28<sup>th</sup>, August, 2022, 140,999 on 2<sup>nd</sup>, September, 2022 and the outstanding balance on 8<sup>th</sup>, September, 2022. (2 marks)

$$92.6/100 \times 250,000 = 231,500$$

b) Identify two measures that Ndayi should put in place to ensure that Sipangwingwi did not default in making payment. (2 marks)

- ✓ Ascertain the credit worthiness of Sipangwingwi
- ✓ Asking Sipangwingwi to commit him/herself in writing e.g. by signing a bill of exchange
- ✓ Requiring Sipangwingwi to have a guarantor
- ✓ Requiring Sipangwingwi to pledge his/her property as security

14. Outline four differences between cooperatives and public limited company. (4 marks)

|   |   |
|---|---|
| Cooperative society                                     | Public limited company                                    |
| is welfare motivated                                    | It is profit motivated                                    |
| serves members only                                     | It serves shareholders and outsiders                      |
| run by a minimum of 10 members and no specified maximum | Formed by a minimum of 7 members and no specified maximum |
| run on the basis of one member one vote                 | Governed on the basis of one share one vote               |
| cooperates with other co-operatives                     | Competes with other companies                             |
| governed by the co-operatives act                       | Governed by the company' act                              |
| is only one class of shareholders                       | Has several types of shareholder                          |

- ✓ **Involuntary unemployment/open unemployment.** This unemployment occurs when people are looking for jobs at the prevailing wage rates but cannot find jobs
- ✓ **Disguised unemployment/ hidden unemployment.** It occurs when the number of people employed exceeds those who are required to the extent that some of them remain idle and therefore are laid off thereby becoming unemployed
- ✓ **Residual unemployment.** This is a type of unemployment that affects the mentally and physically disabled such that they cannot be employed to do certain jobs thereby remaining unemployed
- ✓ **Erratic(casual) unemployment.** This occurs when workers are hired for a short period of time after which they again become unemployed. For example a school can hire teachers per school term when students are in school.

11. Outline four differences between savings account and time deposit account. (4 marks)

| Time/Fixed deposit accounts   | Savings accounts  |
|---|---|
| Money is not withdrawn until the contract is over                         | Money is withdrawn after an agreed interval                                 |
| Can be used as a security for a bank loan                                 | Can be used as a security for a bank overdraft                              |
| The account remains in force for a specific period of time                | The account is in force as long as the minimum balance is maintained        |
| A large amount of money is required to open the account                   | A small amount of money is required to open the account                     |
| A separate account is required for each deposit                           | All deposits can be made in the same account                                |
| A certificate of deposit is issued once money is deposited in the account | A passbook or a bank card is issued when deposits are made into the account |
| Interest earned is high   | Interest earned is low  |

12. The following information relates to Bingwa traders:

|                 |         |
|-----------------|---------|
| Land            | 450,000 |
| Salaries owing  | 10,000  |
| Debtors         | 12,500  |
| Creditors       | 25,000  |
| Cash            | 5,000   |
| Bank            | 8,000   |
| Loan from K.I.E | 100,000 |
| Loan from ICEDE | 75,000  |
| Stock           | 20,000  |
| Fittings        | 7,500   |
| Vehicles        | 250,000 |

Determine:

i. Capital owned. (1 mark)

$$C = A - L$$

$$= 543,000$$

- ✓ Composite policy - This is a policy that provides cover to one specific ship which is insured by several insurance companies. This is necessary where the sum insured is too large for one insurance company to cover.
- ✓ Construction (builders) policy - This is a policy which covers the risks that a ship is exposed to while it is either being constructed, tested or delivered.
- ✓ Freight policy - This is a policy that covers the ship owner against losses arising from failure by the hirer of the ship to pay freight charges
- ✓ Third party liability - This is a policy that covers claims that may arise from loss caused to other people and property by the ship.
- ✓ Port policy - This is a policy that covers the ship against sea perils when it is at the port

17. State whether the commodity or service given in the table below would satisfy a basic human want or a secondary human want. (4 marks)

| Commodity/Service   | Class of human want |
|---------------------|---------------------|
| a) A shirt          | Basic               |
| b) Education        | Secondary           |
| c) Housing          | Basic               |
| d) A packet of rice | Basic               |
| e) Entertainment    | Secondary           |
| f) Hair cut         | Secondary           |
| g) Green grams      | Basic               |
| h) A car            | Secondary           |

18. The government revenue in Kenya for the fiscal year 2020/2021 accumulated to Kshs. 1.78 trillion which was slightly higher compared to the previous fiscal year. Outline four reasons for this increase. (4 marks)

- There was an increase in*
- ✓ Fines imposed by courts on offenders
  - ✓ Rent and rates paid for using government property
  - ✓ License fees paid by those who want to operate businesses
  - ✓ Dividends and profits earned from government direct investments
  - ✓ Interests earned on loans advanced by the government to firms
  - ✓ Proceeds from sale of government property
  - ✓ Taxes
  - ✓ Government borrowing

19. State four causes of structural inflation. (4 marks)

- ✓ Poor entrepreneurial culture i.e. failure by producers to expand production or output.
- ✓ Shortage of raw materials due to exhaustion or restricted supply
- ✓ Poor entrepreneurial culture i.e. failure by producers to expand production or output.

By laws

Company laws

15. The following information relates to Masimo Kamau for the year 2022.

Turnover 270,000

Margin 40%

Rate of turn over 6 times

Expenses shs 40,000

From the information above, calculate:

(4 marks)

- a) Gross profit

$$2/5 \times 270,000 = 108,000$$

- b) Cost of goods sold

$$270,000 - 108,000 = 162,000$$

- c) Net profit

$$108,000 - 40,000 = 68,000$$

- d) Average stock =  $162,000 / 6 = 27,000$

16. BOATZ enterprises operate a fleet of ships. Describe four marine insurance policies it is likely to undertake to insure his ships. (4 marks)

- ✓ Marine hull policy - This is a policy that covers the ship against loss or damage as a result of risks at sea. These risks include; storm, fire, collision and capsizing.
- ✓ Marine cargo policy - This a policy that covers cargo against loss or damage while being transported by ship
- ✓ Voyage policy - This is a policy that covers the ship or cargo on a particular journey. The insurer may not compensate if the destination is changed unless such change was necessary to save the ship, cargo or human life.
- ✓ Floating policy - This is a policy where several shippers pay a lumpsum to cover their ships while in transit. As ships make shipments, the amount of insurance for a particular shipment is deducted from the lumpsum. The policy collapses when the sum insured equals the total value of all the shipments.
- ✓ Time policy - This is a policy that covers losses arising within a specified period of time.
- ✓ Mixed policy - This a policy that covers ships against losses while on a specified voyage and specified time.
- ✓ Fleet policy - This is a policy which covers a fleet of ships against losses under one policy. This is possible where there are many ships belonging to one organisation



|  |                               |                       |
|--|-------------------------------|-----------------------|
| Mburu on credit.                       |                               |                       |
| Cash cheques issued out                | Cheque folio/receipt recieved | Cash payments journal |
| Goods returned by Nafula worth 50,000. | Credit note issued            | Sales return journal  |

24. Outline one circumstance under which each of the following telecommunication services may be used: (4 marks)

- i) Paging - When there is need to call a person to attend to an emergency in a specific location  
 ii) Facsimile (fax) - Where there is need to send a copy of a printed document urgently.  
 iii) Radio call - When there is need to give co-ordinated information through a central point  
 iv) Telex - Sending and receiving written messages

25. State four ways in which effective management practices may contribute to success of a business. (4 marks)

- ✓ Proper plans/putting plans in place so that good results can be anticipated to accommodate future changes.
- ✓ Proper/appropriate/ relevant strategies so as to achieve(desired) results.
- ✓ Setting clear goals/objectives so as to achieve intended results.
- ✓ Monitoring/evaluating/supervising planned activities so as to achieve intended results.
- ✓ Proper coordination to reduce/minimize conflict of activities.
- ✓ Proper controlling to ensure that the required activities are carried out.
- ✓ Motivating of staff to increase their productivity.
- ✓ Directing to ensure activities are geared towards achieving the set goals.
- ✓ Proper time management to ensure set activities are achieved within the required time.

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- ✓ Poor infrastructure
- ✓ Shortage of skilled manpower

20. Name the documents described by the statements given below as used in international trade: (2 marks)

- |   |                       |
|---|-----------------------|
| i. Request for payment before goods are delivered | Proforma invoice      |
| ii. Shows ownership or title of goods imported    | Bill of lading        |
| iii. Shows the country of manufacture of goods    | certificate of origin |
| iv. Shows the transportation charges for goods    | Freight note          |

21. Give the meaning of the following terms as used in motivating the sales force to sell more: (4 marks)

- a) Commission - The amount of money paid to a sales person as a portion of the value of sales made in a given period of time.
- b) Bonus - A cash reward given to a sales person as a portion of the profits made at the end of a trading period.
- c) Out-of-pocket - The amount of money given to a sales person to facilitate his movement in marketing a product.
- d) Push money - A cash reward that a sales person is paid for selling off old or unwanted stock.

22. Highlight four circumstances under which an under developed country may increase borrowing to finance its expenditure. (4 marks)

- ✓ If the country is experiencing a balance of payment deficit.
- ✓ If the revenue collected are less than projected expenditure.
- ✓ If there is gross misappropriation of public funds.
- ✓ If the government wants to stimulate economic growth e.g by building infrastructure.
- ✓ If there is a natural disaster that causes diversion of funds.

23. For each of the following transactions given, indicate in the appropriate columns the source document and the book of original entry in which the transaction should be recorded.

| Transaction   | Source document         | Books of original entry |
|---|-------------------------|-------------------------|
| Bought goods worth 30,000 shillings on credit from Kineiya. | Incoming Invoice        | Purchases journal       |
| Sold furniture worth 60,000 to                              | Outgoing Invoice/issued | General journal         |