

BUSINESS STUDIES KCSE TRIALS

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Kenya Certificate of Secondary Education (K.C.S.E.)

563 BUSINESS STUDIES - Paper 1&2

PREDICTION 1-15 .

KCSE PREDICTION 1 .

PAPER 1

1. Identify the level of production for each of the following activities. (4mks)

	Activity	Level of production
(a)	Painting a house	
(b)	Constructing a road	
(c)	Insuring a car	
(d)	Dress making	

2. Outline **four** reasons why road transport is still the most referred mode of transport from Nairobi to Mombasa despite the introduction of Standard Gauge Railway (4 marks)
3. Determine the initial capital of ABC business whose details are as follows:

Capital on 31 dec 2001 was shs 120,000

Net loss during the year was shs 70,000

Drawings were shs 20,000 on a quarterly basis

Owner's investment was shs 20,000
4. State any **four** functions of the central bank to the commercial banks
5. The following transactions took place in the business of Onyuma during the month of June 2016.

June 03. 2016- office furniture worth 80,000 was sold at 90,000 on credit to Butere restaurant.

June 29. 2016- Motor vehicle worth 1000,000 was bought from CMC motors paying 400,000 cash and the rest to be paid later

6. Outline **four** circumstances under which an insurance company may re-insure (4marks. (4 marks)
7. State **four** auxiliary services that may attract business enterprises in an area (4 marks)
8. The table below shows the general change of price for a certain commodity over a period of five years.

	Year	Price (Ksh)	C P I
(a)	2008	92.00	-
(b)	2009	100.80	-109.56%
(c)	2010	104.50	-113.59%
(d)	2011	105.30	-114.46%
(e)	2012	101.50	-110.33%

Required:

Using year 2008 as the base year, determine the consumer price index for year 2009, 2010, 2011 and 2012 (4 marks)

9. State any **four** challenges of a population made up of a large proportion of young people
10. Highlight **four** forms of written communication that the minister of education could use to pass on

information

(4 marks)

11. Mr. Musee had the following balances in his business on 1st Jan. 2008

Motor van	65,000
Cash at bank	52,400
Machine	6,800
Creditors	15,900
Debtors	30,000
Loan	3,000
Stock	22,600

The following transactions took place in the month of Jan. 2008

Sold stock valued shs. 5000 for shs. 7,500 cash

Exchange the motor van with a tractor valued at shs.

65,000 The debtor paid by cash shs. 10,000

Prepare: Mr. Musee's balance sheet as at 31st Jan. 2008

12. Identify any **four** characteristics of economic resources

(4 marks)

13 State **four** features that make chain stores very unique

(4 marks)

14. Kenyans are more appealed by loans offered by SACCOs rather than those offered by commercial banks. Outline **four** reasons why this is so (4marks)

15. Outline **four** challenges that a distributor of fresh milk is likely to face in his operations.

(4MARKS)

16. Outline **four** reasons why billboards have become very common medium of advertising in major urban centres (4 marks)

17. State **five** ways in which the government finances its expenditure (4mks)

18. In the recent past there has been development of **malls** in Nairobi. Highlight **four** disadvantages of such **malls**. (4 marks)

19.. Indicate the source document for each of the following books of original entry. (4MARKS)

BOOKS OF ORIGINAL ENTRY

SOURCE DOCUMENT.

a) Sales return daybook

F
o
r

- b) Cash book _____
- c) Purchases journal _____
- d) Purchase return journal _____

20. outline **four** consequences of poor arrangement of goods in a warehouse 4mks

21. Highlight **four** causes of a shift of demand curve to the left (4 marks)

22.. State **four** benefits that a business in a politically stable country is likely to enjoy (4marks)

24. The information given below was extracted from the gbooks of amina traders on 31st december

2006

Purchases	260000
Opening stock	75000
Carriage on purchases	12500
Closing stock	27500
Mark-up	25%

Using the information above, prepare Amina traders trading account

23. Differentiate between a perfect competition and monopoly market structure 4 mks
25. Highlight **four** ways in which Kenya Association of Manufacturers (KAM) ensures that their members do not exploit consumers. (4mks)

PAPER 2

1. (a). Explain FIVE principles that govern the spending of revenue collected by the government (10 marks)

(b) The table below represent supply schedule of bread to Kirani town.

Year	Quantity of bread
2015	10,000
2016	9,000
2017	7,800
2018	5,000

Assuming the price remains constant, explain five possible reasons for the trend in the supply of bread. (10mks)

2. (a) Explain **five** factors to consider when evaluating a business opportunity. (10mks)

b) As at 1st August 2012 the cash book of Ongeti showed the following balances:

Cash 10,000, Bank 4,300(Cr)

During the month, the following transactions took place:

August 3: Tumbo a debtor settled his account of Shs. 8,000 by cheque of Shs. 2,500.

August 6: Paid rent by cash Shs. 4,000

10: Deposited Shs. 3,000 into the business bank account from the cash till.

15: Settled Nyamu's account in the bank of Shs. 10,000 and be allowed a discount of 1%

21: Cash sales sh. 6,000.

24: Otieno, a debtor, settled his account by a cheque of Shs. 4,000 having been allowed a discount of 20%

26: Purchased furniture Shs. 2,600 paying by cheque.

28: Received Shs. 1,800 cash from Nduta.

30. Banked the available cash except Shs. 800.

Prepare a dully balanced three column cashbook

10mks

3. (a) explain five benefits enjoyed by a trader who buys goods on credit rather than by cash (10 marks)
 (b) Explain any five factors that may influence a decrease in the level of national income
 10mks
4. (a) Explain **five** contributions of commercial banks to the Kenyan economy
 (10mks)
- (b) Explain five ways in which the efficiency of a warehouse can be enhanced 10mks
5. (a) Explain **five** ways in which the government may regulate business activities
 (10mks)
- (b) The following trial balance was extracted from the books of Kaiyaba traders on 31st December 2001
Kaiyaba Traders

Trial Balance
As at 31st December 2001

	Dr	Cr
	shs	shs
Gross profit		380,000
Closing stock	274,000	
Capital		259,000
Drawings	83,000	
Creditors		93,000
Premises	103,000	
Debtors	123,000	
Cash at bank	33,000	64,000
Bank loan (1 year)		50,000
General expenses	54,000	
Commission received		20,000
Wages and Salaries	132,000	
	<u><u>802,000</u></u>	<u><u>802,000</u></u>

Prepare: a) Profit and Loss account for the year ended 31st December, 2001 (5 marks)

b) Balance Sheet as at 31st December, 2001

(5 marks)

6. (a) Explain FIVE features that differentiate a public limited company from a partnership form of business (10 marks)

6. b) The following information relates to Somo Ber Traders for the year 2012.

Capital invested	Kshs 1,000,000
Current ratio	3:2
Rate of Stock Turn over	6 times
Turn over	Kshs 540,000
Expenses	Shs 80,000
Total current Assets	Sh 720,000
Total Fixed Assets	Shs 960,000
Margin	40%

From the above information determine:

- (i) Working Capital (2 mks)
- (ii) Gross profit. (2mks)
- (iii) Cost of sales. (1mk)
- (iv) Net profit. (1mk)
- (v) Average stock (2mk).
- (vii) Rate of return on capital. (1mk)
- (viii) Total long-term liabilities. (1mk)

KCSE PREDICTION 2 .

PAPER 1

1. Identify four roles that equipments play in an office. (4 marks)
2. Highlight four internal weaknesses that may affect business performance (4 marks)

3. Identify four common means of verbal communication (4 marks)
4. State the type of co-operative society that fits the description given below (4 marks)

DESCRIPTION	TYPE OF CO-OPERATIVE
<ol style="list-style-type: none"> a. A co-operative formed to improve production and selling of goods by members b. An association of buyers formed to be buying goods in bulk and selling at fair prices c. An association of persons who save regularly and obtain loans at low interest d. Formed by members who save into a common pool and funds using to construct houses for members 	

5. Outline four principles that guide a government in collecting and spending public finance (4 marks)
6. Highlight four disadvantages of monopoly markets (4 marks)
7. Identify four factors that may cause demand- pull inflation too occur in a country (4 marks)
8. State four problems facing small scale business in Kenya (4 marks)
9. Identify four differences between trade discount and cash discount in the table below (4 marks)

Trade discount	Cash discount
----------------	---------------

a.	a.
b.	b.
c.	c.
d.	d.

10. Identify how each of the transactions changes the amount of stock in the stock

Transaction	Effects on stock
a. purchase of goods from suppliers	a.
b. sale of goods to customers	b.
c. sales return by customers	c.
d. purchase returns by suppliers	d.

11. Name four functions of the central bank of Kenya in the economy

12. Identify four benefits of indirect production to a community (4 marks)

13. Fill the missing figures in the table below

	Fixed asset	Current Assets	Capital	Liabilities
a.	275 500		315 000	115 500
b.	182 000	108 700		217 100
c.		76 400	123 100	91 900
d.	313 450	211 340	189 170	

14. Name four measures that a firm can take to improve efficiency of its workers (4 marks)

15. Outline four ways in which consumers can benefit from services of a warehouse (4 marks)

16. The following information relates to Ali General Stores for the year ended 31st Dec 2018.
Opening stock shs 24 000

Carriage on sales	shs 12 000
Purchases	shs 370 000
Sales	shs 442 500
Closing stock	shs 40 000
Expenses 10% on gross profit	
Prepare Trading profit and loss account for the year ended 31 st Dec 2018 (5 marks)	

17. State three pieces of information contained in an insurance policy for goods (3 marks)
18. Name four types of warehouses. (4 marks)
19. Outline four ways in which households contribute to national income in a country (4 marks)
20. Identify four measures taken by government to reduce mortality rate in a country. (4 marks)
21. State four uses of a computer in an organization. (4 marks)
22. Identify four elements of effective communications. (4 marks)
23. Highlight four circumstances under which the capital of a business may change. (4 marks)
24. Name four accounting documents that are used in home trade
25. Identify four contents of a memorandum of association. (4 marks)

PAPER 2

1. a) Explain **five** methods and legislations which the Kenyan government has put in place to protect consumers. (10 marks)
b) Explain **five** characteristics of human wants. (10 marks)
2. a) Explain **four** advantages of a bonded warehouse to the importer.

(8marks)

- b) On 1st January 2010, Umoja stores had cash in hand Kshs. 30,000 and at bank Shs. 105,000.

The following transactions took place during the month of January 2010

January	1 st	Bought goods in cash	Shs. 20,000
"	2 nd	Paid salaries by cash	Shs. 65,000
"	4 th	Received a cheque from the following debtors after allowing 2% discount in each case Luka Shs. 9,800, Mwengesh Shs. 19,600, Raju Shs. 10,700 and Alice Shs. 24,500	
"	8 th	Paid the following accounts by cheque and in each case deducting 5% discount: Mogi Shs. 30,000, Abdul Shs. 12,000 and Moses Shs. 40,000	
"	10 th	Bought office machinery by cheque Shs. 50,000	
"	13 th	Juma settled his account of Shs. 20,000 in cash having deducted 2% cash discount	
"	15 th	Withdraw Shs. 10,000 for private use	
"	18 th	Paid John Shs. 4,750 in cash having deducted 5% cash discount	
"	22 nd	Cash sales Shs. 45,000	
"	25 th	Received cash Shs. 29,100 from Aberi after having allowed him 30% cash discount	
"	31 st	Banked all the cash except Shs. 12,000	

Required: prepare three column cash book and balance it off

(12mks)

3. a) Explain **five** benefits of expanding railway transport in Kenya as witnessed in the recent past. (10 marks)

- b) Outline **five** uses of National income statistics to a country. (10 marks)

4. (a) Explain **five** limitations of using posters as a medium of product promotion (10mks)
 (b) Explain **five** benefits that Kenya may realize if economically viable oil deposits were exploited in Turkana County

(10mks)

5. a) Explain **five** services offered by commercial banks to their customers.
(10marks)
b) Describe **five** types of unemployment.
(10marks)
6. a) Explain any **five** measures a country may adopt to increase its volume of exports. (10 marks)
b) Explain **five** factors that encourage entrepreneurial development in Kenya.
(10marks)

KCSE PREDICTION 3.

PAPER 1

1. State four elements of economic environment which affect business positively.(4mks)
2. Outline four reasons which make it difficult to satisfy human wants .
3. Give four reasons why Kenya has few entrepreneurs.(4mks)
4. Outline four reasons why the government may train traders.(4mks)
5. Name four recent trends in the transport sector in Kenya.(4mks)
6. State four benefits of advertising products in the face book.(4mks)
7. Outline four factors which cause supply curve to shift to the left.(4mks)
8. State the effect of the following transactions on the balance sheet totals.(4mks) a) Payment to a creditor_____
- b) Receipts from a debtor_____
- c) Addition of capital_____

- d) Purchase of an asset on credit_____
9. Give four errors that will make trial balance totals not to agree.(4mks)
10. Give four external diseconomies of scale.(4mks)
11. Give four features of monopoly.(4mks)
12. Outline four limitations of national income statistics as a measure of the standards of living.(4mks)
13. Outline four problems associated with under population.(4mks)
14. Outline four merits of indirect taxes.(4mks)
15. Outline four challenges that faces direct production.(4mks)
16. Outline four features of fixed deposit account.(4mks)
17. Outline four measures that central bank may put in place to reduce high inflation in a country.(4mks)
18. Outline four problems experienced by the East African Community.(EAC). (4mks) 19. The following information relates to Mwangi Traders for the period ended 31st March 2018.

Shs.

Sales 1,000,000

Opening Stock 100,000

Closing Stock 25% of cost of goods sold

Gross profit Margin 20%

Prepare a trading account of Mwangi Traders for the period ended 31st March 2018.(4mks)

20. State four benefits of electronic filing.{4mks}
21. Under what four circumstances would deferred payment be appropriate.(4mks)
22. Outline four benefits that accrue to a person who joins savings and credit co-operative Society.(4mks)
23. For each of the following transactions below indicate in the spaces provided the source document from which the transaction would be recorded.

Transactions	Source Document
a) Sales of goods on credit	
b) Purchase of goods on credit	
c) Goods returned	
d) Correction of an undercharge	
e)	

24. Identify the insurance terms described below:

Description	Term
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An interim document issued to the insured after payment of the first premium	
Amount refundable to the assured on terminating a life policy prematurely	
Restoration of the insured who suffers Loss to his former financial position	
Insurance Company insuring itself with another insurance Company	

25. The following transactions relates to Patel traders as at 31.Dec.2017.

Bank overdraft	-	100,000
Rent received	-	200,000
Salaries	-	100,000
Creditors	-	50,000
Cash	-	40,000
Discount allowed	-	40,000
Discount received	-	30,000
Commission allowed	-	30,000
Commission received	-	10,000
Furniture	-	150,000
Drawing	-	10,000
Return outwards	-	50,000

Required: A trial balance

PAPER 2

- 1a) Explain five limitations of small scale retailers.
- b) African countries are considered to be underdeveloped. Explain five characteristics of such countries.
- 2a) Explain five factors that may lead to high consumptions of fruits.
- b) Explain five benefits of insurance industry to the economy.
- 3a) Explain five challenges that a trader who relies on rented warehouse may experience.
- b) The following information was extracted from the books of Economy traders in the month of March 2017.
 - 1/3 Cash in hand 40,000 and bank overdraft 12,000.
 - 3/3 Cash sales paid direct to the bank Shs.7,000.
 - 5/3 Credit sales to Mugo Shs.10,000.

- 7/3 Received a cheque of Shs,9,000 from a debtor in full settlement of his account of Shs.10,000.
- 8/3 Deposited Shs.3,000 from cash till into the business bank account.
- 9/3 Paid for repairs in cash Shs.1,200.
- 10/3 Mwala a debtor settled his account of Shs,25,000 by cheque less 3% cash discount.
- 20/3 Withdrew Sh.1,300 from bank for personal use.
- 29/3 Deposited all cash except Shs. 2,300.

Required:

Prepare a duly balanced three column cash book.(10mks)

- 4a) Explain five factors that will motivate an entrepreneur to implement a business idea. b) Explain five reasons why the government requires public finance.

5a) Outline five differences between a partnership and a cooperative society.

b) Describe five methods that can be used to discourage trade between two countries. 6a) Explain five benefits of national income statistics to a country.

b) The following trial balance was extracted from the books Kieni traders as at 31st Dec 2017.

Kieni Traders

Trial balance

As at 31st Dec 2017

Details	Dr	Cr
Fixed Assets	292,600	
Current Assets	78,000	
Rent Income		23,0000
Discount	3,000	2,000
General Expenses	89,000	
Carriage inwards	28,000	
Purchases /Sales	280,000	474,000
Returns	4.600	7,000

Stock 1/1/2017	460,000	
Drawings	33,000	
Current Liabilities		53,000
Capital		709,200
	1,268,200	1,268,200

Stock on 31st Dec, 2017 was Shs,54,000.

Required:

- i) Prepare trading, profit and loss account for the year ending 31st Dec 2017.(8mks) ii) Calculate working capital.(2mks)

KCSE PREDICTION 4 .

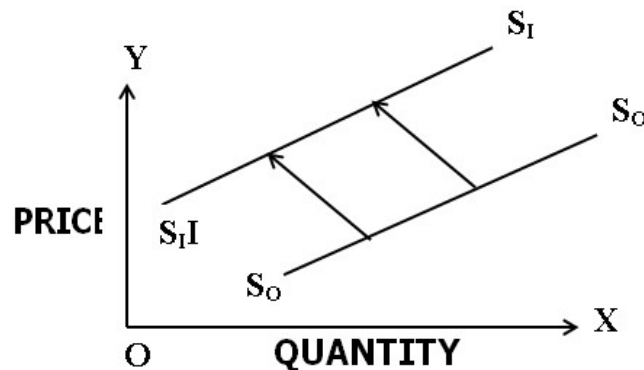
PAPER 1

- Identify **four** difficulties that may make an individual not to satisfy most of his needs.
- Highlight **four** characteristics of free resources. (4 marks)
- Outline **four** measures that can be taken to improve the efficiency of parastatals in Kenya.
- State **four** factors that would influence the amount of money held by an individual for transaction purposes. (4 marks)
- State **four** measures that the government may employ to regulate and control business activities. (4 marks)
- Given below are books of original entry, state the source document used to prepare each of the books.

(4 marks)

Books	Source document
(i) Cash book
(ii) Sales journal
(iii) Purchase journal
(iv) Sales return journal

7. Post the following transactions to the relevant ledger accounts.
- Started business by depositing in the bank a cheque of shs. 100,000.
 - Withdrew Kshs. 20,000 cash from the bank for business use.
 - Tumanka a debtor paid shs. 40,000 cash.
 - Took shs.10, 000. from cash till for personal use. (4mks)
8. Identify **four** ways through which manufacturers protect the consumers against exploitation. (4 marks)
9. List **four** sources of monopoly power for a firm in a market. (4 marks) 10. Outline any **four** benefits of pooling of risks to insurance company. (4 marks) 11. The diagram below shows a supply curve S_0 and S_1 .



- Highlight **four** factors that account for the above phenomena. (4 marks)
- Highlight **four** roles played by inter-mediaries in the chain of distribution. (4 marks)
 - Outline **four** uses of national income statistics (4 marks)
 - Highlight **four** methods that can be used by a country to solve the problem of deficit balance of payment. (4 marks)
 - Outline **four** positive implications of high population growth rate in a country. (4 marks)
 - Highlight **four** reasons why hypermarkets are increasingly becoming popular in Kenya.
 - For each of the following transactions, indicate with a tick (✓) whether it will increase, decrease or have no effect on the balance sheet totals. (4 marks)

Transaction	Effect on the balance total		
	Increase	Decrease	No effect
(i) Borrowing sh 20,000 from bank for paying creditors			
(ii) Used sh 10,000 cash pay for loan arrears			
(iii) Sale of part of business premises			
(iv) Sale of goods worth sh 5,000 for sh 4,500			

18. Outline **four** circumstances under which personal selling is appropriate. (4 marks)

19. State **four** disadvantages of localization to a developing country (4 marks)

20. The following information relates to NtutuTraders

Purchases	sh 2,700,000
Return outwards	sh 600,000
Closing stock	sh 500,000
Opening stock	sh 1,200,000
Margin	$\frac{2}{9}$

Calculate (i) Cost of sales (2 marks)

(ii) Gross profit (2 marks)

21. State the meaning and significance of the following terms used in international trade.

(i) Depreciation of the currency of country

(ii) Determination of the terms of trade of a country

(iii) Trade restrictions

(iv) Common market.....

22. Outline **four** advantages of a business using E-mail in communication. (4

marks) 23. Outline **four** economic conditions that would prevail in a country undergoing inflation.

(4 marks)

24. Indicate in the spaces provided whether the following taxes are either direct taxes or indirect taxes. (4 marks)

Tax

Types of tax

Corporation tax _____
 Capital gain tax _____
 Value added tax _____ Income
 tax _____

25. Indicate in the spaces provided, the account to be debited and account to be credited. (4 marks)

Transaction	Account Debited	Account Credited
(a) Started business by depositing sh 80,000 in the bank account of the business		
(b) Bought stock of goods worth sh 20,000 from XYZ retailers on credit.		
(c) Returned goods worth sh 4,000 to XYZ retailers		
(d) Paid XYZ retailers' sh 15,000 cheque		

PAPER 2

- (a) Explain **five** factors that will influence the choice of office layout to be adopted by a firm. (10 marks)

(b) Explain **five** advantages of a country belonging to a trading bloc. (10 marks)
- (a) Explain **five** differences between a public corporation and a private limited company. (10 marks)

(b) Highlight **five** circumstances under which an insurance contract may be terminated.

(10 marks)

3. (a) Discuss **five** contributions of an efficient transport to the economic development of a Country. (10 marks)

(b) Explain **five** benefits of retailers to wholesalers (10 marks)

4. (a) Describe **five** factors that may influence the firm's decision on what products to produce. (10 marks)

(b) Explain **five** challenges that may be experienced by a new entrepreneur who has just establish a business in Kenya

5. (a) Explain **five** services offered by commercial banks to business people. (10 marks)

(b) The following transactions relates to David Traders for the month of December 2018.

Dec 1 st	started a business with sh. 200,000 in the Bank account.
2 nd	Bought furniture for sh, 50,000 and paid by cheque
3 rd	Sold goods on credit to Caleb shs, 20,000; Salau 10,000
4 th	Bought goods on credit from Rose sh 30,000; Kinga shs. 40,000
5 th	Returned faulty goods to Rose sh 5,000
6 th	Paid Rose on account by cheque less 10% cash discount.
7 th	Received faulty goods from Caleb shs. 2000
8 th	Received payment due from Caleb and Salau by cheque less 5% cash discount.
9 th	Cash sales shs. 100,000
10 th	Paid for wages shs. 20,000 by cash and electricity shs.10,000 by cheque.
11 th	Deposited all the cash in hand into the bank account.

Required: Prepare a three column cash book duly balanced. (10 marks)

6. (a) Discuss **five** factors to be considered when making a development plan in a less developed countries. (10 marks)

(b) The following information was extracted from the books of James wholesalers for the trading period ended June 2018.

	Sh
Stock on 30.06.2017	40,000
Purchases	35,000
Sales	70,000
Return inwards	1,500
Return outwards	2,000
Discount allowed	2,100
Insurance	2,000
Transport	1,400
Discount received	8,000
Electricity	2,400
Rent received	3,000
Wages and salaries	5,000
Advertising	2,000
Stock 30. 06.2018	15,000

Prepare a trading profit and loss account for the year ended 30th June 2018. (10 marks)

KCSE PREDICTION 5.

PAPER 1

- Atieno is employed as a filing clerk at ministry of land offices. Highlight four challenges that the office is facing as a result of Atieno's incompetence. (4 marks)
- For each of the following situations, name the most suitable means of payment to be used. (4 marks)

	Situation	Means
a)	To pay salary of 50 employees using one cheque	
b)	Paying school fees for a student from Nairobi who is at Nakuru school	

c)	Paying insurance premium to UAP Insurance	
d)	Njoki wishes to transfer kshs 100,000 immediately from her account to Mwende's account	

3. Give four reasons why extractive level of production is the highest income earner in most third world countries. (4 marks)

4. The following extract is from Manga traders as at 31st December, 2018.

Kshs.

Capital	2,000,000.	Net profit	500,000.
		Borrowed capital	1,430,000.
Fixed assets	2,880,000.	Current assets	
2,350,000.	Current liabilities	1,300,000.	

Determine:-

- i) Working capital (1 mk) ii)
 Current ratio (1 mk) iii)
 Capital employed (1 mk) iv)
 Rate of return on capital employed (1 mk)

5. State four advantages of using social media to a business person. (4 marks)

6. State whether the following taxes are direct or indirect (4 marks)

Type of tax	Classification
a) Sales tax	
b) Corporate tax	
c) Value added tax	
d) Excise duty	

7. Indicate four indicators of workers who are poorly motivated in an organization (4 mks)

8. Name four advantages of operating a public limited company (4 mks)

9. Janet observed that there are many small scale retail businesses in her home town that are surviving despite the presence of large supermarkets. Write four reasons that may explain this scenario.

(4 mks)

10. In the transactions below, indicate whether the balance sheet totals are going to increase(+),decrease(-), or remain the same(No effect) (4 mks)

	Transaction	Effect
a)	Sold some old furniture on credit	
b)	Borrowed a bank loan of Ksh 100,000 in cash	
c)	Sold stock worth Kshs 5,000 and was paid by cheque	

d)	The owner added kshs 20,000 to the business cash from personal sources	
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11. The following table represents the demand for tomatoes.

Price of tomatoes (Shs)	Quantity demanded of tomatoes per week (Kgs)
50	10
100	8
150	6
200	4
250	2

From the above demand schedule plot the demand curve for tomatoes. (4mks) 12.

Highlight **four** challenges that a new entrepreneur faces when carrying out business activities.

13. Highlight **four** differences between monopoly and monopolistic market structures.

14. Mention **four** features of capital as a factor of production. (4mks)

15. A TV set was sold for sh.20,000. If the buyer was allowed a trade discount of 5% and a cash discount of 2% if

payment is made within a month. Determine the amount received by the seller if payment is made within 2 weeks. (4 mks)

16. Give four reasons that make insurance companies decline to insure acts of nature such as earth quakes, floods, etc. (4 mks)

17. The following information was extracted from the books of soma label traders on 31st march,

2009	shs
Stock(1 st April, 2008)	650,000
Purchases	2,400,000
Sales	3,200,000
Mark up	25%
Stock (31 st march, 2009)	x Required:

Use the information above to prepare a trading account for the year ended 31st march, 2009.

18. Highlight four reasons why a business plan is important to a business unit. (4 marks)

19. Outline four reasons why different businesses merge (4 marks)

20. Name the element of transport represented by each of the following items (4 marks)

Item	Element
a) Bus station	

b) Bicycle	
c) Railway line	
d) Diesel engine	

21. Mawingu company would like to erect billboards for product promotion purposes. Highlight four short comings of using this method (4 marks)

22. Record the following transactions in the relevant ledger accounts of Karua's business. (4 mks)

- I) Jan 20th : the owner took stock worth kshs 1500 to his aunt while on a visit
- II) Feb 12th : bought a business motor cycle worth shs 80,000 on credit from Nakuru motors ltd.
- III) march 18th : withdrew shs. 10,000 from bank for business use
- IV) Received an invoice on April 10th from summer wholesalers worth sh 50,000.

23. Outline four drawbacks that accrue to a society that practice subsistence production. (4 marks)

24. Highlight four measures that the government may use to control demand pull inflation.

25. Outline four reasons for maintaining a trial balance. (4 marks)

PAPER 2

1

a) Explain five benefits that may be realized by a country as a result of government policy to

relocate industries to rural areas. (10 marks)

b) Kenya has experienced a lot of losses through road accidents. Explain five measures the government has taken to reduce further loss of lives. (10 marks)

2(a) Discuss five principles that would guide the Kenya's Government on effective use of public resources. (10 marks)

b) On 1st Jan 2011, Tradelink Enterprise had 22,250 Cash and 250,000 in the Bank

2nd Jan.	–	Made cash sales of shs 465,200
5th Jan	–	Received a cheque for shs 451,250 from Kamau Traders in full settlement of their debt after allowing a 5% cash discount.

15th Jan	–	Paid Ndaru Traders Shs 184,000 in cash after deducting a cash discount of shs 16,000
20th Jan	–	Deposited shs 200,000 from the cash till into the bank
25th Jan	–	Paid wages shs 144,000 in cash
28th Jan	–	Settled Mbago Trader's account of Shs 300,000 by cheque, less 15% cash discount
29th Jan	–	Withdrew shs 250,000 from the bank for office use
30th Jan	–	Deposited all the cash into the bank, except shs 59,700.

Required

Open a duly balanced Three Column Cash Book for the above transactions

3.(a) The table below shows the age distribution of a country.

Age in years	% of population
0 – 15	45
16 – 55	31
56 and above	24

Explain five negative economic implications of this age distribution to a country. (10 marks)

b) Explain five services that the Central Bank of Kenya offers to commercial banks. (10 marks)

4(a) Discuss Five characteristics of under developed countries (b) The following balance sheet was prepared from the books of Kimani Traders.

Kimani Traders
Balance sheet

As at 31st Dec 2011

	Sh	sh		sh
<u>Fixed assets</u>			capital	280,000
Motor vehicle	600,000	lon	term liabilities bank loan (5 years)	
Furniture	80,000	680,000	500,000	
<u>Current assets</u>			<u>short term liabilities</u>	
Stock	200,000		creditors	280,000
Cash	60,000		bank overdraft	20,000
Debtors	<u>140,000</u>	<u>400,000</u>		<u>300,000</u>
		1,080,000		<u>1,080,000</u>

The following transactions then took place in January 2012

- (i) Opened a bank account for the business and deposited shs 120,000 from personal sources.
- (ii) Paid part of the bank loan shs 40,000 by cash.
- (iii) Bought goods worth shs 50,000 on credit.
- (iv) Sold part of the furniture worth shs 10,000 in cash

Required:

Prepare Kimani Traders Balance Sheet as at the end of January 2012

5.

- a) Explain five benefits to Kenya for being a member of the East African Community Economic block. (10 mks)
- b) Explain five importance of Entrepreneurship to the development of the Kenyan economy. (10 mks)

6(a) Describe four factors considered when choosing a means of communication. (8mks)

(b) The following trial and balance relates to business of Twiga Traders as at 30th June 2008.

Twiga Traders,

Trial balance,

As at 30th June 2008

<u>Shs.</u>	<u>Shs</u>	
Land and Buildings	750, 000	
Cash at bank	45, 000	
Prepaid rent	5, 000	
Debtors/creditors	10, 000	15, 000
Opening stock	22, 500	
Discounts	3, 000	1, 000
Purchases/sales	70, 000	160, 000
Wages	25, 000	
Furniture	13, 500	
Capital		771, 850
Carriage outwards	1, 150	
Carriage inwards	2, 700	
Returns	7, 500	9, 500
Lighting	6, 000	
Commissions		4, 000
	<u>961, 350</u>	<u>961, 350</u>
Closing stock was valued at shs 11, 000.		

Required:

- (a) Prepare a trading profit and loss account as at 30th June 2009.
(8mks)
- (b) Calculate the following ratios:-
- | | | |
|-------|---------------------------|-------|
| (i) | Rate of return on capital | (1mk) |
| (ii) | Margin | (1mk) |
| (iii) | Quick ratio | (1mk) |
| (iv) | Rate of stock return over | (1mk) |

KCSE PREDICTION 6 .**PAPER 1**

- Highlight four ways in which the introduction of money helped eliminate problems faced in barter trade.
- The following information relates to Kibet traders for the month of August 2012.

(Sh.)

Opening stock	40,000
Purchases	46,000
Carriage inwards	2,100
Closing stock	22,500

Goods are usually sold at a markup of 20%.

Required: Prepare a trading account for Kibet Traders for the month ended 31st August 2012.
(4mks)

3. Indicate the type of journal in which each of the following transactions would be recorded.
(4mks)

Transaction	Journal
a) Sale of goods on credit	
b) correction of an undercharge	
c) Goods returned by customers	
d) Purchases on credit	

4. State four conditions which must be met in order for an insurance contract to be valid. (4mks)

5. The following table represents information related to three businesses (i) (ii) (iii) and (iv). (4mks)

	Assets	Capital	Liabilities
i) ii)	700,000	X	50,000
iii)	Y	500,000	225,000
iv)	600,000	410,000	Z
	67,000	W	24,705

6. Outline four measures that may be taken by the government to curb unemployment. (4mks)

7. The following is a table of activities. Name the utility that is created by each activity. (4mks)

Activity	Utility
a) Making chairs from timber	
b) Delivering milk to consumers early in the morning	
c) Shop keepers selling sugar to consumers	
d) Pharmacist delivering drugs to a hospital	

8. Outline four roles of transport in the facilitation of trade. (4mks)

9. State four disadvantages of division of labour. (4mks)

10. Outline four features of a public corporation. (4mks)

11. Outline four benefits that may accrue to a business from political stability. (4mks)

12. Highlight four benefits of national income statistics to the government. (4mks)

13. Highlight four advantages of using billboards as a medium of advertising. (4mks)

14. Highlight four circumstances under which a proforma invoice can be used. (4mks)

15. State four duties of the office clerk. (4mks)

16. State four reasons for maintaining a cash book in a business enterprise. (4mks)

17. State four demerits of government involvement in business activities. (4mks)

18. Name the type of warehouse associated with each of the statement given below.
(4mks)

Statement	Type of warehouse
-----------	-------------------

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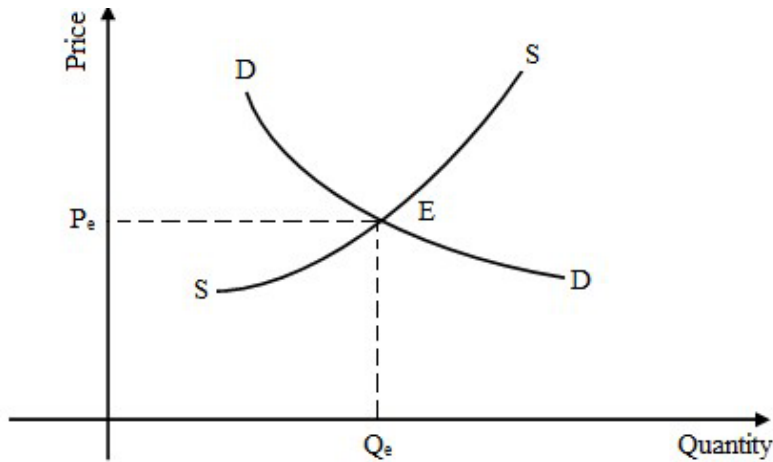
a) Goods can be stored before payment of custom duties.

b) Individuals can hire storage facilities.

c) Goods are stored from several manufacturers

d) Specialized goods are stored

19. Outline four disadvantages of using internet in communication. (4mks)
20. Highlight four characteristics of economic resources. (4mks)
21. The following diagram shows the demand and supply curves of a commodity.



- State four things that will happen to equilibrium price, P_e and quantity, Q_e , if the supply of the commodity increases while demand remains constant (4mks)
22. State the effect of each of the following transactions on the balance sheet totals by writing increase or decrease or no effect in each case. (4mks)

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	

23. Identify the types of ledger in which each of the following accounts would be found . (4mks)

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

24) List four sources of business ideas. (4mks)

25. Outline four factors that a firm may consider when deciding on what goods and services to Produce. (4mks)

PAPER 2

1 (a) Outline five documents which are required to be filed with the registrar of companies to facilitate the registration of a company.

(10mrks)

(b) Explain five functions of an office.

(10mrks)

2 (a) Muthomi is a trader at Nkubu market who sells carrots, Explain any five factors that could positively affect the quantity of carrot he supplies in the market.

(10mrks)

(b) The following information was extracted from the books of Igoji Traders on 31st December 2014.

Details.	Ksh.
Sales	84,000
Purchases	58,800
Opening stock	15,700
Stock on 31/12/2014	13,000
Return out	1,500
Return in	9,000

Required:

(i) Prepare Igoji Traders Trading account for the period ending 31st December 2014.

(5mrks)

(ii) Work out Igoji Traders percentage mark up.

(2mrks)

(iii) Calculate Igoji traders rate of stock turnover.

(3mrks)

3 (a) Explain five features of an oligopoly.
(10mrks)

- (b) Explain five insurance policies that the owner of budget supermarket may find useful for the business.

(10mrks)

- 4 (a) Outline five differences between department stores and chain stores.

(10marks)

- (b) The following balances relate to wangu furniture enterprise as at 31st December 2008.

Machinery.	1,240,000
Stock	190,000
Debtors	150,000
Motor vehicle	1,000,000
Cash	130,000
Drawings	550,000
Creditors	170,000
Bank overdraft	90,000
15 yrs bank loan	1,300,000
Capital	1,400,000
Net profit	300,000

Prepare a balance sheet as at 31st December 2008 showing:

(10mrks)

- i) Net capital ii)
Total current asset. iii)
Total current liabilities iv)
Total fixed assets.

- 5 (a) Explain Five elements of communication. (10mrks)

- (b) As at 1st June 2007, the cashbook of Kingara traders showed the following balance.

Ksh.

Cash	10,000
Bank	4500(cr)

During the month, the following transactions took place:

June3: Kichwa a debtor settled his account of Ksh. 8000 by cheque of Ksh. 7500.

June 6: Paid wages by cash ksh.4000.

June10: Deposited Ksh.4000 into the business bank account from the cash till.

June15: Settled Wanjirus account of Ksh.5000 and was allowed a discount of 1%.

June20: Cash sales 90000

June24: Susan a debtor settled her account by cheque of Ksh.4000 having been allowed a

Discount of 20%.

June 27: Purchased equipment khs.3000 and paid by cheque.

June29: Received Ksh.3000 cash from wariso.

June30: Banked all the available cash except Ksh.4500.

Required: Prepare a three column cash book for the month. (10mrks)

6 (a) Explain five circumstances that may lead to existence of a business opportunity to be exploited by the entrepreneur.

(10mrks)

(c) Neema roses is a horticultural company producing flowers, explain five factors that may influence the choice of a channel for distributing its flowers.

(10mrks)

KCSE PREDICTION 7 .

PAPER 1

1. **four** difficulties faced by a consumer in the satisfaction of human wants. (4 marks)
2. State **four** contents of a business plan. (4 marks)
3. Outline **four** attributes of a good office worker. (4 marks)
4. Highlight **four** circumstances under which a debit note may be issued by the seller (4 marks)
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)

6. Highlight **four** factors that determine the fertility rate in a given economy. (4 marks)
7. With an aid of a well labeled diagram, illustrate the circular flow of income in a two sector economy.

(4 marks)

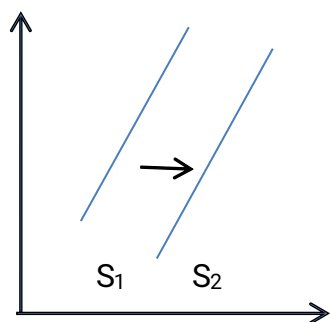
8. The following information relates to four businesses A, B, C and D. Fill in the missing figures.

(4 marks)

Business	Assets Shs	Capital Shs	Liabilities Shs
A	4,010,000	3,210,000	a).
B	b).	9,312,000	211,100
C	1,301,111	c).	412,113
D	13, 917,331	11,716,000	d).

9. State **four** reasons that may lead to dissolution of a parastatal. (4 marks)
10. Give **four** importance of a warehouse to a trader. (4 marks)
11. Outline **four** benefits of the standard gauge railway (SGR) to the Kenyan economy.
12. Outline the steps that are followed in the personal selling process. (4 marks)
13. Highlight **four** channels that a fish farmer may use to distribute her produce in a local Market. (4 marks)
14. State **four** characteristics of a market. (4 marks)
15. Highlight **four** factors which may have led to a shift in the supply curve as illustrated below. (4 marks)

Price



Quantity

16. State **four** items of information one can obtain from an insurance policy. (4 marks)
17. Outline **four** advantages of using written communication in an organization.
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 Machines on credit Sh. 80,000
- 24th Aug: Purchased a water tank worth Sh. 140,000 on credit from Kentank Ltd

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)

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		
b). Returned goods worth Shs. 21,000 to Nyayo traders		
c). Banked Shs. 80,000 from cash till		
d). Proprietor took goods from the business for family use		

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)

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

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

Description	Business Environment
a). Formal arrangement of activities that are carried out at various levels of the organization so that its objectives can be Achieved.	
b). Factors that affect buyers ability to buy the goods and Services offered by a business.	
c). Norms that regulate behaviors of people in a society.	

d). a combination of employees' expectations, beliefs and Values within the business.	
---	--

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

Ledgers

- | | |
|-------------------------------|-------|
| a). Rent Account | |
| b). Discount received Account | |
| c). Cash Account | |
| d). Creditors Account | |

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

PAPER 2

1.
 - a) Explain **five** ways in which division of labour is useful to a firm. (10 marks)
 - b) Explain **five** negative effects of a youthful population in a country (10 marks)

2.
 - a) Explain **four** insurance policies you would advise a hospital chief executive officer to insure against. (8 marks)
 - b) The following balances were extracted from the books of Abade Traders for the year ended 31/12/2016.

Item	Kshs.
Discount received	9,500
General expenses	97,000
Rent	48,000
Lighting	6,300
Motor vehicle	2,100,000
Gross profit	326,000
Salaries	75,000
Commission received	12,470
Cash	50,000
Debtors	278,000
Discount allowed	4,600
Water	9,200
Stock	95,000

Furniture and Equipment	600,000
Bank	200,000
Capital	3,200,000
Creditors	14,330

Required; Prepare

- (i) Profit and loss account for the year ended 31/12/2016 (6 marks)
- (ii) Balance sheet as at 31/12/2016 (4 marks)
- (iii) Calculate (a) Working capital (1 mark)
- (b) Capital employed (1 mark)

3. a) Explain **five** reasons why consumers need protection against traders malpractices (10 marks)
- b) Explain **five** banking services offered by the Central Bank to the Government (10 marks)
4. a) Give **five** differences between perfect competition and monopoly market structures. (10 marks)
- b) Explain **five** guidelines county governments need to follow before spending public funds. (10 marks)
5. a) Explain **five** circumstances under which a customer may prefer to buy goods on credit terms rather than on hire purchase (10 marks)
- b) The following transactions took place in the business of Mokaya enterprise in the month of July 2017
 - July 1: Started business with sh. 150,000 in bank and ksh, 30,000 in cash
 - July 3: Purchased goods valued at sh. 34,000 from Kioko on credit
 - July 8: Paid rent sh. 13,000 by cheque
 - July 10: Purchased office equipment valued at Ksh. 45,000 from Daima

stores and paid by cheque.
 July 12: Sold goods in cash Ksh. 15,000
 July 15: Paid Chemtai Ksh. 24,000 by cheque

Required: Use the above information to;

- (i) Prepare the relevant ledger accounts and balance them off as at 15th July 2017 (6 marks)
 (ii) Extract a trial balance (4 marks)

6. a) Explain **five** benefits that may be realized by a country as a result of government policy to relocate industries to rural areas. (10 marks)
 b) On 1st of April 2018, Machofi Traders had the following balances:
- Bank 15,000(Cr)
 - Cash 25,000(Dr)

The following transactions took place during the month of April 2018.

April:

- 3rd: Paid wages in cash sh. 15,000
 5th: Bought goods worth sh. 750
 6th: Received cheques from the following debtors after allowing a 2% discount in each case. Rioki sh. 980, Kombo sh. 1,960
 8th: Chebe paid a cheque for sh. 1,000
 11th: Bought machinery by cheque for sh. 5,000
 13th: Cash sales paid directly to the Bank sh. 4,000
 15th: Withdrew cash sh. 1,000 for private use
 20th: Cash sales sh. 20,000
 21st: Banked cash amount sh. 1,000
 24th: A cheque recorded from Chebe on 8th of April was dishonoured
 27th: Received sh. 3,000 from Kiko a debtor
 30th: Bank all the available cash except sh. 1,000

Prepare Machofi Traders Three column cash book for the month of April,

2018

(10 marks)

KCSE PREDICTION 8 .**PAPER 1**

1. State four functions of management directed towards the attainment of objectives.
(4mks)
2. Outline four reasons for collapse of small scale business units (4mks)
3. Highlight four disadvantages of news papers as a means of advertising
(4mks)
4. State the mailing service that fits the following descriptions.
(4mks)

Descriptions	Name of the mailing service
i) Offered to travelers who may wish to receive correspondence away from their post office box	
ii) Used for sending correspondence and parcels to a destination in the shortest time possible	
iii) Offered to those sending articles of value for which security in handling is required.	
iv) Usually in form of letters and parcels including light parcels delivered by hand, rail or by air.	

5. Give four benefits that Kenya would get if the government encourages the location of businesses in rural areas. (4mks)
6. State four factors that lead to business mergers. (4mks)
7. State four emerging issues in the banking industry. (4mks)
8. Highlight four reasons why a country would rely more on primary level of production. (4mks)
9. In the absence of a written partnership agreement, the provisions of the Partnership Act will apply.

State **four** such provisions. (4 mks)

10. Describe **four** ways in which the government creates an enabling business environment. (4 mks)
11. State **four** elements of communication process. (4 mks)
12. Mention **four** circumstances under which an insurance company may re-insure. (4mks)
13. State the book of original entry used to record information from the following source documents.

(4 mks)

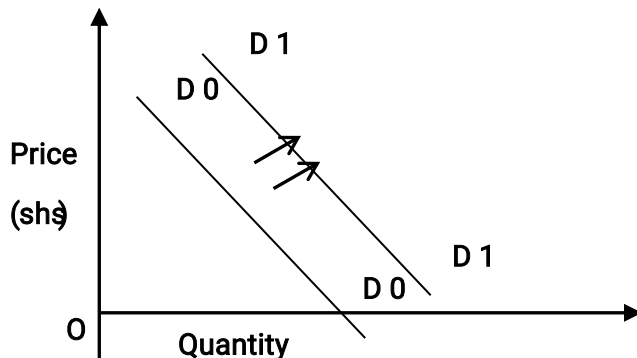
Source document	Book of original entry
i) Received invoice	
ii) Copy of credit note	
iii) Payment voucher	
iv) Issued invoice	

14. Highlight **four** adverse effects of production activities on the environment and community health. (4mks)
15. State **four** ways of determining prices for commodities in the market. (4mks)
16. Outline **four** factors that influence the level of national income in a country. (4mks)
17. The following information relates to Poleni Traders for the year ended 31st December, 2017.

Sales	Ksh.
	300,000
Opening stock	Ksh. 50,000
Purchases	Ksh.
	260,000
Profit Margin	20%

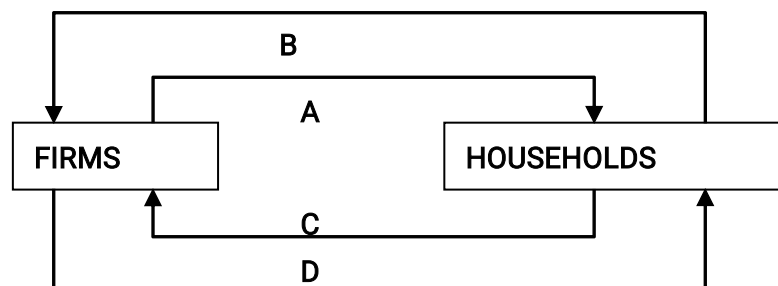
Prepare a trading account for the year ended 31st December, 2017.

18. Highlight four essential features of an efficient transport system. (4mks)
19. Cite four possible ways through which consumers protect themselves from exploitation.
20. The following diagram shows a shift in demand curve. Outline **four** reasons that can lead to this shift.



21. Outline four problems faced in an attempt to compare the national incomes of different countries.
22. The diagram below shows the circular flow of income in a two sector economy

(4mks)



Identify the movements labelled **A, B, C** and **D** (4mks)

23. Highlight **four** implications of a rapidly growing population in a country (4mks)
24. Name four types of payment under cash terms. (4mks)
25. Highlight **four** benefits that a subsistence producer may get by participating in the exchange of goods. (4mks)

PAPER 2

1. (a) Explain five benefits that may accrue to a community that is involved in trading activities (10mks) (b) Explain five circumstances under which a monopolist would survive in a market . (10mks)
2. (a) Explain five measures that would be taken to ensure smooth functioning of a warehouse. (10mks)
- (b) The balance below were extracted from the books of Karanja Traders as at 1st June 2017.

	Shs
Equipment	320,000
Stock	180,000
Bank	104,000
Cash	20,000
Capital	544,000
Creditors	80,000

During the first week of June 2017 the following transactions took place

- June 2 - Karanja Traders introduced additional funds into the business by depositing sh 76,00 into business bank account.
- 3 - purchased a motor vehicle form CMC Motors worth shs 400,000 on credit.
- 5 - Paid a creditor shs 12,000 cash
- 6 - Sold goods on credit to Anita sh 50,000
- 7 - Bought equipment shs 100,000 by cheque

Required

Prepare the balance sheet of Karanja Traders as at 7th June 2017 showing the items in their relevant classes. (10mks)

3. (a) Explain five contents of memorandum of association. (10mks)

(b) Discuss five functions of money (8mks)

4. a) Explain four trends in office management today (8 mks)

(b) The following balance were extracted from the books of Simba traders as at 31st December 2016. (12mks)

	Shs		shs
Sales	980,000	Carriage outwards	28,000
Purchase	640,000	Rent and rates	10,000
Return inwards	40,000	Electricity	16,000
Return outwards	36,000	Commission received	12,000
Stock /1/2016	120,000	Bad debts	6,000
Carriage inwards	34,000	General expenses	24,000
Discount received	18,000	stock 31/12/2016	104,000

Required

(a) Purchase of year

(b) Net sales

(c) Cost sales

(d) Gross profit

(e) Total indirect expenses

(f) Net profit

5. (a) On 1st March 2017 Staicy Enterprises had Ksh 7,800 cash in hand and a bank overdraft of Ksh 24,300 . During the month, the following transactions took place.
2017

March 2: cash sales paid directly into the bank sh 165,000

- March 4: cash sales sh. 50,000
 6 Bought goods for ksh 15,000 and paid by cheque
 7: Bought goods on credit from Jane
 9: received a cheque for sh 18,000 from Amollo
 13: Paid insurance premiums sh 16,000 in cash
 15: Paid Kamotho by cheque sh 9,700 after deducting 3% cash discount
 21 Withdrew sh 30,000 from a bank for office use
 24: received a cheque for ksh 23,750 from Rotich having allowed him 5% cash discount
 25: Paid wages in cash sh 20,000
 28: A cheque that was received from Amollo was dishonoured
 30: Banked all the cash, except sh 3,000

Required :

Prepare a three column cashbook and balance it off on 30th March 2017 (12mks)

(8 mks)

(b) ABC manufacturers who have been producing product A stopped its production and instead embarked on production of product B. Explain five factors that may have led to this decision . (10mks)

6. (a) Explain the procedure for obtaining an insurance policy. (10mks)

(b) Discuss five measures that the government of Kenya may take to reduce the level of unemployment.

(10mks)

KCSE PREDICTION 9 .

PAPER 1

1. Highlight four ways in which Kenya may benefit from its natural resources endowment. (4mks)

2. Outline four ways in which commerce satisfies human wants. (4mks)

3. Outline four circumstances that allow existence of monopolies in a country. (4mks)

4. The table below shows the source documents and their corresponding books of original entry. Identify the correct book of original entry for each case.

Source Document	Book of Original entry
Incoming invoice	
Outgoing receipt	
Incoming Credit Note	
Outgoing Credit Note	

(4mks)

(4mks)

5. State four negative effects of unemployment.
6. Outline four circumstances under which a manager of a company may use downward communication.
7. Highlight four factors that a producer considers before choosing a channel of distribution. (4mks)
8. The following information relate to meru traders for the year ended 31 December 2017.

Sales	1000,000.
Opening stock	100,000.
Closing stock	200,000.
Gross profits.	200,000

Calculate rates of stock turnover.

(4mks)

9. State whether the following represent injection into or leakages from the circular flow of income. (4mks)

	Item	Injection/leakages
a)	Savings	
b)	Taxes	
c)	Government expenditure	
d)	Investment	

10. Name the factor of production that each of the following resource relate to (4mks)

	Resource	Factor of production
a)	Manager	
b)	Equipment	
c)	Farmer	
d)	River	

11. Outline four factors to be considered when choosing a means of reproducing documents in an office. (4mks)

12. Outline four advantages of after sale services as a method of sales promotion to a customer. (4mks)
13. Outline four benefits of the newly constructed standard gauge railway line to Kenya's economy. (4mks)
14. In the spaces provided, indicate the account to be debited and to be credited in the following transactions. (4mks)

	Transaction	A/C DEBITED	A/C CREDITED
a	Bought machine in cash		
b	Started business with sh.30,000 in cash		
c	Took sh.20,000 cash from business for personal use		
d	Credit sales of old machine to Kamau		

15. The following balances were extracted from the books of kumi kumi traders on 31st dec.2018.
- | | |
|---------------------|------------|
| Gross profit | ksh.80,000 |
| Rent | 8,000 |
| Discount received | 2,000 |
| Salaries | 10,000 |
| Discount allowed | 5,000 |
| Commission received | 3,000 |
| Maintenance expense | 9,000 |
| Debtors | 10,000 |
| Creditors | 12,000 |
- Required: prepare kumi kumi traders profit and loss account for the year ended 31 Dec 2018. (4mks)

16. Highlight four limitations of barter trade system. (4mks)
17. On 4th Feb 2018 Chari bought goods worth ksh.12000. Terms of payment were, trade discount 5% and cash discount 10%. If payment is made within 30 days. If Chari paid on 27th Feb 2018 determine the amount he paid. (4 mks)
18. Indicate whether each of the following business transaction will increase, decrease or have no effect on balance sheet totals.

	Transaction	Effect
i)	Buying stock in cash	
ii)	Buying stock on credit	
iii)	Withdrawing cash from bank for personal use	
iii)	Received cash from a debtor	

19. Highlight four purposes of public finance (4mks)

20. Name the type of insurance policy described by the following statements. (4mks)

	Statement	Type of policy
a)	Cover losses caused by employees dishonesty/fraud	
b)	Protects employees against injuries while at work.	
c)	Cover damage on motor vehicle, other people and property caused by the vehicle.	
d)	Cover claims by the members of public against a business	

21. State four ways in which the nature of goods would influence the choice of transport means.

22. Identify the type of utility created from the following activities

	ACTIVITY	TYPE OF UTILITY
a.	Crushing sugarcane to make sugar	
b.	Transporting sugar from the factory to the supermarket	
c.	keeping sugar in a warehouse	
d.	Selling sugar in a supermarket	

23. State four factors that influence the location of a firm (4mks)

24. Highlight four ways in which running public corporation may be improved. (4mks)

25. Highlight four benefits of using Electronic filing system in an office. (4mks)

PAPER 2

1. a) Explain five features that differentiate a public corporation from a private limited company form of business unit. (10 marks)

b) Kapa Oil Manufacturers have decided to eliminate wholesalers in their chain of distribution. Outline five possible effects that would result if wholesalers were eliminated. (10 marks)

2. (a) Some developed countries have a huge population made up of ageing persons. Explain five

Problems this situation could present to such countries. (10 marks) (b) Khwesa Traders had the following balances as at 31st December 2014.

Item	Shs.
Building	540,000
Bank loan	472,000
Debtors	116,900
Creditors	227,000
Furniture	408,170
Gross profit	520,600
Motor vehicle	900,000
Discount allowed	142,000
Lighting	25,200
Interest on loan	1,200
Closing stock	72,500
Rent received	120,000
Repairs on buildings	60,000
Repairs on furniture	72,030
Repairs on motor vehicle	300,000
General expenses	102,100
Capital	1,400,000

Prepare:

- (a) Profit and Loss Account for the year ended 31/12/2014.
 (b) Balance sheet as at 31/12/2014. (10 marks)

3. a) The saga of contaminated sugar and plastic rice has raised many questions in the economy. Describe five roles of the Kenya Bureau of standards (KEBS) in consumer protection in order to curb such commodities in the market. (10mks)

b) Explain five measures that the government can take so as to improve the efficiency of the road transport system in the country. (10mks)

4. (a) VP Shah shop sells all its goods at a margin of 20%. For the year ended 30th April 2006, the trading activities were as follows.

Purchases	sh.	80,000
Sales profit	sh.	950,000
Net profit	5% of sales	
Closing stock	sh.	200,000

Calculate

- a) The gross profit (2 marks)
 b) The opening stock (4 marks)
 c) Mark up percentage (2 marks)
 d) The net profit. (2 marks)

(b) Explain five reasons that justify why the Kenyan Government is emphasizing on promoting entrepreneurship in Kenya. (10 marks)

5. (a) In most secondary schools in Kenya, principals are accommodated in their own offices. Explain **five** disadvantages associated with this kind of arrangement. (10 marks)

(b) The following were the balances of Kiboko Traders as at 1st January 2009. Cash Sh.40,000, bank overdraft Sh.17,000. During the month the following transactions took place.
January

2nd: Mutiso a debtor settled his account of Sh.32, 000 by cheque of Sh.30,000

4th: Paid salaries amounting to Sh.16, 000 by cash.

10th: Deposited Sh.12, 000 into the business bank account from the cash till.

14th: Settled Wayua's account of Sh.40, 000 and she was allowed a discount of 1% through a cheque.

16th: Deposited Sh.56, 000 in the bank from private resources.

17th: Sold goods for cash Sh.24, 000.

20th: Mutua, a debtor, settled his account by a cheque of Sh.16, 000 having been allowed a discount of 2%.

24th: Purchased furniture Sh.10, 400 paying by cheque.

26th: Received Sh.7, 200 cash from Odhiambo.

30th: Banked all the available cash except Sh.3200.

Required: Prepare three column cash for Kubuka Traders (10 marks)

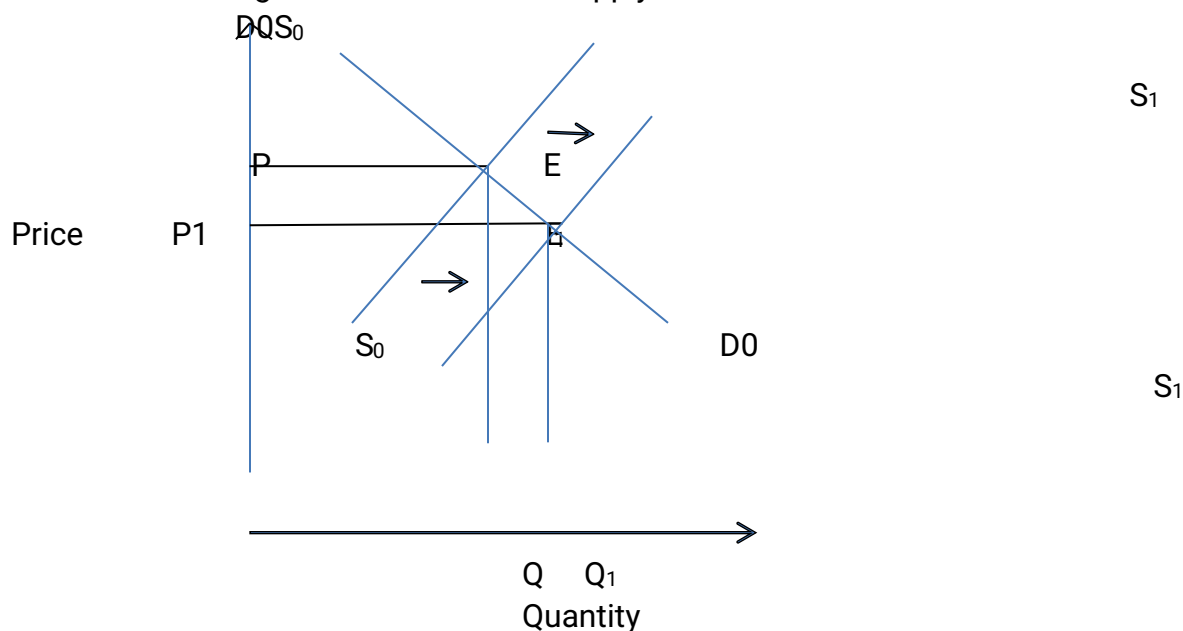
6.a) Kenya is in the process of developing a standard gauge railway line from Mombasa to Malaba. Explain **five** benefits that a trader in Malaba will enjoy from this modern railway line. (10 marks)

(b) Outline five tools of monetary policy used by central bank (10 marks)

KCSE PREDICTION 10 .

PAPER 1

1. State four characteristics of human wants (4mks)
2. Outline four ways in which utility of a good is created in production (4mks)
3. State four benefits that a farmer may derive from being a member of producer co-operative society (4mks)
4. Highlight four ways in which consumers may protect themselves against exploitation (4mks)
5. Highlight four factors a firm must take into account when deciding on the product(s) to produce (4 mks)
6. Below is a diagram of demand and supply curve



Highlight four factors that may have led to the above behavior (4mks)

7. Mention four characteristics of good money (4mks)
8. State four ways in which human resource can positively influence the internal environment of a business (4mks)
9. State four benefits that Kenya will derive from the completion of Standard gauge railway (SGR)

(4mks)

10. State four characteristics of a successful entrepreneur (4mks)

11. Name four documents required by the registrar of companies in order to register a Public Limited

Company (4mks)

12. State four circumstances under which cash with order (CWO) may be used by a business (4mks)

13. Outline four challenges that may be encountered in measuring National income using the output approach (4mks)

14. Highlight four factors to be considered when choosing a method of product promotion (4mks)

15. Identify the source documents into which the following information would be recorded (4mks)

Information	Source document
i. Payment received from debtors	
ii. Purchases made on credit	
iii. Validating payments made by cashier	
iv. Sale of a fixed asset on credit	

16. For each of the transaction state the account to be debited and the account to be credited (4mks)

Transaction	Account debited A/C credited
i. Deposited cash into the bank	
ii. Owner withdrew cash for personal use	
iii. Purchased goods on credit	
iv. Sold furniture by cheque	

17. The following information was obtained from Wamwangi traders as at 31st December 2018

	Shs
Stock 1/1/2018	20000
Stock 31/12/2018	30000
Mark up	20%
Rate of stock turn over	7 times

Required

Prepare Wamwangi's trading account for the year ended 31/12/2018

18. Muriuki prepared a trial balance for his business but it failed to balance. Help him prepare a correct one (4mks)

MURIUKI TRIAL BALANCE AS AT 31ST DEC 2017

Fixed Assets		Liabilities	
Land	110,000	Debtors	80,000
Creditors	60,000	Machinery	90,000
Capitals	230,000	Prepaid rent	10,000
	400,000		180,000

19. State the kind of information recorded in the following ledger accounts

- i. Sales Ledger
- ii. Private Ledger
- iii. Nominal Ledger
- iv. Cash book

20. State four components of a Business plan (4mks)

21. State four roles of Insurance Industry in Kenya (4mks)

22. Outline four measure used by the Central Bank to control supply of money in the economy (4mks)

23. Highlight four features of perfect competition market (4mks)

24. Mention the four elements of transport . (4mks)

25. State the type of unemployment described below (4mks)

- a) Experienced where demand for goods and services is seasonal
- b) Occurs when a person seems to be employed but is mainly under utilized
- c) Occurs when jobs are available but one does not have the required qualifications
- d) Caused by Economic factors leading to poor performance of the Economy

PAPER 2

- 1.a] Explain five characteristics of economic resources. [10

- mks] b] Explain five merits of using audio visual means of communication.

[10 mks]

2. a] Explain five circumstances under which a partnership may be dissolved. [10 mks]

b] The following balances were extracted from the books of Kasuku traders on 30th June 2018.

Furniture	18,000	Debtors	40,000
Motal van	40,000	Creditors	50,000
Capital	75,000	Cash	4,000

C.F.C Loan	50,000	Bank	19,000
Stock	54,000.		

The following transactions took place in the month of July 2018.

July 10 Kasuku traders received ksh. 15,000 from a debtor by cheque.

July 15 Bought more furniture worth ksh. 2,500 and paid in cash.

July 20 Took goods worth 14,000 for home use.

Required.Prepare a balance sheet as at 30th July 2018. [10 mks]

3. a] Describe five principles that guide insurance businesses in Kenya. [10 mks] b]

The following information relates to Rose holdings for May 2015.

May 1.Sold goods to Garry at ksh. 660.

May 5.Bought goods from K.N.T.C for ksh. 7500.

May 10 Bought three office machines at ksh 2,500 each on credit from Fine electronics.

May 15 Goods worth ksh.1,850 were sold to Jack on credit.

May 18 She sold old furniture on credit to Twiga motols at KSH. 1,500 whose book value was ksh.1000.

Required.Record the above transactions in appropriate journals. [10 mks]

4. a] Explain five features of monopolistic competition. [10mks]

b] Outline five differences between public and private warehouses. [10mks]

5. a] Explain five documents used in home trade that are prepared by the buyer. [10 mks]

b] Explain five ways in which the central bank of Kenya controls the operations of commercial banks. [10mks]

6.a] The following transactions were extracted from the books of Furaha retailers.

April 1. Balance brought forward cash ksh 1,900 cash at bank ksh. 6500.

April 3. Sold goods in cash ksh. 1,200.

April 5. Paid transport by cheque ksh. 2,050.

April 7. Bought goods worth ksh. 2,500 in cash less 5% cash discount.

April 10. Paid postage charges by cheque ksh. 3,000.

April 12. Furaha deposited ksh. 600 from cash till to the business bank account.

April 13. Bought goods ksh. 8400 by cheque.

April 15. Sold some old furniture for ksh 3,900 and received the money by cash.

April 17. Brought a table to be used in the business whose value was ksh. 1,800.

April 18. Paid electricity bill by cheque ksh. 2,100.

April 20. Sold goods against a cheque for ksh. 6,600 whose value was ksh. 6,850.

April 21. Took cash ksh 400 for family use..

April 26. Sold goods on credit to Kamani valued at ksh 4,500.

April 28. Received cash ksh. 1,500 from Bidii stores.

April 30. Deposited all cash with the bank except ksh. 3,525.

Required to prepare a three-column cash book duly balanced. [10mks]

b] Draw a well labeled diagram to show the effect of increase in demand and increase in supply on equilibrium point, equilibrium price and equilibrium quantity. [10mks]

KCSE PREDICTION 11.

PAPER 1

1. Outline **four** benefits that will accrue from four leaver who establishes a business. (4marks)
2. Outline **four** circumstances under which goods may be transported by air. (4marks)
3. Juma traders had the following information

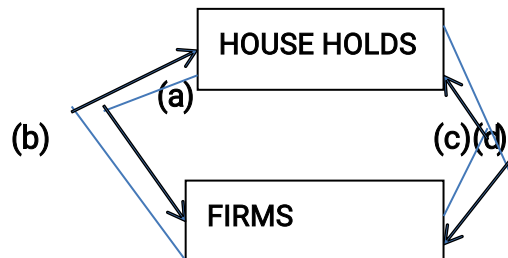
Opening stock	40,000
Closing stock	55,000
1 purchases	200,000
Margin	25%

Required

- a.) Calculate Jumas Rate of stock turn over. (3marks)
- b.) State the importance of having a low rate of stock turnover. (1mark)
4. Highlight **four** goals of development. (4marks)
5. ABC trader is a small scale shop in a town. Highlight four reasons why it continues to exist despite the high competition from supermarkets in the neighbourhood. (4marks)
6. Outline **four** strategies though ways in which a business may be expanded. (4marks)
7. Identify the nature of the following production activities. (4marks)

Activity	Nature
(a) Banking	
(b) Lumbering	
(c) Oil refining	
(d) Building roads	

8. State the significance of the following insurance policies. (4marks)
 - a.) Indemnity
 - b.) Subrogation
9. The diagram below shows an illustration of circular flow of income in a two sector economy.



Identify the parts labeled **a,b,c** and **d**.

10. The table below shows the consumer price index over a period of five years. Using 2011 as the base year determine the prices for the years 2012, 2013, 2014 and 2015.

(4marks)

Year	Price	C.P.I
2011	90	
2012		112
2013		115
2014		117
2015		120

11. Identify the types of document in home trade that best fits the description below. (4marks)

Description	Document
a.) Evidence that cash payment has been made.	
b.) Sent to the buyer when hired transport.	
c.) Informs the buyer that goods are on transit	
d.) Corrects on undercharge	

12. Outline **four** strategies that can be used to make verbal communication effective. (4marks)

13. The following information relates to Maili Tisa traders.

7/1/19 Sold goods on credit to matunda worth Shs. 25,000/=

9/1/19 Matunda paid by cheque part of his debt valued at Kshs. 15,000/=

8/1/19 Matunda returned to the business goods worth Kshs. 500

Required

Prepare Mailitisa, traders, debtors matunda account.

(4marks)

14. Identify **four** ways in which the central bank controls the currency in a country. (4marks)

15. Outline **four** circumstances that may lead to an increase in the supply of maize in the market.

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

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

Information	Source documents
a) Payment made to creditors	
b) Sales made on credit	
c) reducing payment due from a creditor	
d) Validating payments by cashier	

18. Highlight **four** benefits of using personal selling in product promotion.
(4marks)

19. Outline **four** advantages of office machines.
(4marks)

20. Highlight **four** circumstances through which a firm may acquire monopoly status. (4marks)

21. Outline **four** challenges faced by a country with a young population.
(4marks)

22. Outline **four** benefits a person will get by joining a consumer cooperative society. (4marks)

23. Give **four** reasons that may make a government to prefer indirect taxes.

24. Highlight **four** advantages of using credit cards for payment. (4marks)

25. Identify **four** characteristics of chain stores.
(4marks)

PAPER 2

1. (a) Explain five factors that may enhance operations of a warehouse.

(10marks)

(b) Explain five benefits of Government participation in business activities to a country.

(10marks)

2. (a) Explain five personal characteristics of a successful entrepreneur.

(10marks)

(b) Explain five negative effects of inflation on an economy.

(10marks) 3. (a) Explain five benefits Kenya gets from being a member of East African community.

(10marks)

(b) on 1st January, Ojukwo traders had shs. 40,000 cash in hand and a bank overdraft of Ksh. 50,000. During the month, the following transactions took place

January 2: Cash sales Ksh. 55,000

January 6: A debtor settled his account of ksh. 70,000 by cheque less 5% cash discount.

January 16: Paid salaries ksh. 23,000 in cash.

January 21 settled a creditors account of ksh. 17,000. Cheque less 2%

Cash discount

January 31 banked all the cash except ksh. 20,000.

Prepare Ojukwo traders three column cash book

4. a) Explain five challenges encountered in development planning. (10marks)

b) Explain five differences between a public limited company and a public Cooperation. (10marks)

5. a) Describe five channels of distribution a foreign producer would use to ensure, her goods reach consumers in another county (10mks)

b) Explain five features of a good tax system. (10mks)

6. a) Explain five reasons why ethical issues are important in Business operation.

(10mks)

b) The following balance sheet relates to Chemise trading

**Chemise traders
Balance sheet
As at 1.1.09**

Fixed assets	Capital	140,000	
Building 120,000			
Motor vehicles 240,000	<u>current liabilities</u>		
<u>Current assets</u>	creditors	25,000	

Debtors	50,000	Overdraft	45,000
Cash	30,000	Bank loan	<u>290,000</u>
Stock	<u>60,000</u>		<u>500,000</u>
	<u>500,000</u>		

The following transaction took place during the month of January

January 2: paid creditors sh. 10,000

January 3: Received cash 38,000 from debtors

January 4: Bought office equipment sh. 32,000 in cash

January 5: Took goods worth sh. 10,000 from business for personal use.

At the end of January, Chemasereleased a net profit of

Shs.84, 000 and the bank loan reduced to sh. 206,000.

Required

Balance sheet as at 31.1.09.

(10mks)

KCSE PREDICTION 12 .

PAPER 1

1. Outline **four** challenges associated with the satisfaction of human wants. (4mks)
2. State **four** ways in which the government may influence the price of a commodity.
3. Below are some factors that influence the operation of a business. Indicate with a tick in the appropriate column the business environment associated with each of the factors. 4 mks

	Business environment	Physical environment
a. Customer taste and preference		
b. Price levels		

c. Personnel and knowledge and skills		
d. Foreign exchange rate		

4. The balances below relates to Eureka Traders for the year ended 31st December 2010.

Shs.

Capital	?
2 year Bank loan	230,020
Creditors	95,200
Fixed assets	480,000
Current assets	145,220

Determine the following

i.) Working capital. (2mks) ii.) Capital employed. (2mks)

5. For each of the following indicate in the spaces provided the account to be debited, the account to be credited and relevant ledger in which account would be maintained.

4 marks

TRANSACTION	A/C Dr	ledger	A/C cr	ledger
a. Mrkoech a proprietor converted a private car into a business asset				
b. Withdrew cash from the business to pay for sons school fees.				
c. Sold delivery van on credit to Fanfan motors				
d. bought furniture and paid by cheque				

6 Highlight **four** measures that the government would undertake to provide investors with an enabling business environment. (4mks)

7 Outline **four** circumstances under which vertical downwards communication would be appropriate in an organization. (4mks)

8 Outline **four** drawbacks that accrue to a society that practice subsistence production (4mks)

- 9 Highlight **four** merits of using indirect taxes to raise government revenue. (4mks)
- 10 State **four** components of a business plan. (4mks)
- 11 Outline **four** demerits of using pipeline to transport petroleum products. (4mks)
- 12 Highlight **four** circumstances which may make personal selling appropriate as a way of product Promotion. (4mks)
- 13 Raymond traders had the following balances as at 6th January 2012. 4 marks

Land & building	
150,000 Cash in hand	
25,500	
Creditors	15,000
Bank overdraft	30,000
Purchases	18,000
Sales	30,000
Returns inwards	5,000

Required;

A trial balance as at 6th January 2012

- 14 Outline **four** monetary methods that the government can use to reduce inflation. (4mks)
- 15 Name the office machines used to perform the following functions. (4mks)

Function	Machine
a) To fold documents, place them in the envelope and seal.	
b) Used to transmit printed messages such as Letters, maps diagrams and photographs	
c) Reproducing documents from a master copy(stencil)	
d) Printing postage impressions on the envelopes	

16 Highlight **four** disadvantages of producer co-operative societies. (4mks)

17 State **four** objectives of export processing zones in Kenya. (4mks)

17. Outline **four** circumstances under which firm may be located near a source of raw material

(4mks)

18. Highlight **four** benefits of a bonded warehouse to the government. (4mks)

19. State **four** features of a departmental store. (4mks)

20. Outline **four** conditions which are necessary for a successful development plan.

21. State **four** purposes of a three column cash book. (4mks)

22. Highlight **four** features of general insurance. (4mks)

23.. The following is the population size of a certain country in the last three years

year	Population in (000)
2016	34000
2017	36000
2018	40000

If the economic growth rate was negative highlight **four** effect of such a population trend.
4mks

24. Name the source document and the day book to which each of the following description relates

4 marks

DESCRIPTION	SOURCE DOCUMENT	DAY BOOK
a. issued by the seller to buyer for cash paid for goods.		
b. issued by the seller to a credit buyer to demand for payment		
c. used to correct an overcharge for goods returned to the business		
d. Filled when either cash or cheques are deposited in the bank account.		

25. In the table below indicate with a tick which of the following is an injection or withdrawal from circular flow of income. 4mks

item	injection	withdrawal
a. Construction of standard gauge railway		
b. Bought from China 47 X-ray machine for each county medical hospital.		
c. Made it a legal requirement for employee to pay 5% of their employee salary to a housing scheme		
d. Decision made to sell 25% of the oil deposit in Turkana to China		

PAPER 2

1 (a) Explain **five** types of unemployment found in Kenya today. (10 marks)

(b) Explain **five** differences between co-operatives and public limited companies. (10 marks)

2. (a) Mahindi's track was involved in an accident and was extensively damaged. However, despite having a policy with an insurance company he was not compensated. Explain any five reasons that may have contributed to this. (10 marks)

b. Discuss **five** reasons why countries practice restrictions in trade (10 marks)

3. (a) Explain **five** characteristics of an efficient tax system (10 marks).

b. Outline **five** factors that may cause a producer to reduce his output to the market.(10 marks)

4. (a) The Kenyan government may want to reduce the amount of money in circulation. Suggest the possible measures it should take. (10 marks)

(b) Explain **five** circumstances under which oligopoly market structure may be created. (10marks)

5. (a) Explain **five** ways firms stand to benefit as a result of the completion of the standard gauge railway. (10 marks)

b. On 1st October 2013, Greenland Traders Had shs.10 000 and shs.40 000 at the bank. During the month, the following transactions took place.

Oct 2 Bought goods worth shs3,100 by cheque.

3 Paid motor expenses shs.6000 in cash

6 Sold goods worth 8200 cash

10 paid a creditor shs.9500 by cheque after deducting a 5% cash discount
12 Received a commission of shs.580 directly into the bank account.

14 Shelby, a debtor, settled her account of shs.30,000 by cheque less a 2.5% cash discount

15 The bank deducted shs. 850 from the business account for services rendered

19 The owner took shs.1500 by cheque for personal use

23 Paid Maboko traders shs.39,200 by cheque in full settlement of their account less 3% cash discount

24 Withdrew shs.15,000 from bank for business use

26 Received shs.8,200 cash from a debtor in full settlement of a debt of shs.8,500
30 Took all the cash to the bank leaving only shs.1800 in the cash till

Required:

Prepare a duly balanced three column cash book. (10 marks)

6. (a) Explain **five** advantages of division of labour. (10 marks).

b.) The following is the trial balance of Secret Garden as at 31-12-2011

	DR	CR
Purchases and Sales	700,000	1,600,000
Returns	30,000	40,000
Discounts	50,000	35,000
Capital		862,000

Commission	39,000	25,000
Carriage inwards	28,000	
Carriage outwards	135,000	
Debtors and creditors	400,000	300,000
Salaries	220,000	
Bank	266,000	
Cash	94,000	
Buildings	600,000	
Equipment	200,000	
Stock Jan. 1	100,000	
	2,862,000	2,862,000

Additional information

Stock Dec. 31 was valued at shs.94, 000

Required

- (i) Prepare Trading and Profit and Loss Account
- (ii) Balance sheet as at 31-12-2011 (10 marks).

KCSE PREDICTION 13.**PAPER 1**

- State **four** external factors that may positively influence the operations of a business
- Outline **four** circumstances under which producers may prefer to sell goods directly to the consumers.

(4mks)

- Name four ways through which consumers can be cheated in their dealings with traders
- The following information relates to Tamu Traders for the year ended 31st Dec. 2011 Sh

Fixed Assets	5,000,000
Current Assets	650,000
Net profit	300,000

Current liabilities	650,000
Sales	2,000,000
Closing stock	100,000
Opening stock	200,000
Gross profit margin	20%

Calculate; (4mks)

- Current ratio
- Gross profit mark up
- Rate of stock turn over
- Capital employed.

5. Outline **four** circumstances under which a credit note may be issued. (4mks)

6. The equation given below relate to quantity demanded and the quantity supplied at equilibrium price.

$$Q_{de} = 4P + 50$$

$$Q_{se} = 8P + 30$$

Determine the equilibrium price and quantity (4mks)

7. Kendi started a shop dealing in ladies clothing but failed after two years. Outline four factors that many have caused this failure (4mks)

8. Name the type of warehouse described below

Statement	Type of warehouse
a) Goods can be stored before payment of custom duties	
b) Individuals can hire storage facilities	
c) Goods are stored from several manufacturers	
d) Specialised goods are stored	

9. State **four** ways in which the nature of goods would influence the choice of transport

10. Outline any **four** circumstances under which human wants may be fully satisfied (4mks)

11. Highlight **four** ways in which business studies is useful to a community (4mks)

12. State the books of original entry in which the following documents are used. (4mks)

a) Incoming invoice

.....

.

b) Incoming receipt

.....

c) Outgoing credit note

.....

d) Outgoing invoice

.....

13. State the type of ledger into which the following accounts would be found. (4mks)

Account	Relevant ledger
a) Capital
b) Mueni (debtor)
c) Kariuki (supplier)
d) Bank

14. Outline any **four** advantages of operating in an open office layout. (4mks)

15. George operates a petrol station in Nakuru. He insured his stock worth Ksh 2.4 million for ksh 2 million. Later in the year stock worth ksh 600,000 was destroyed by fire. Calculate the amount he was

compensated and give a reason. (4mks)

16. State **four** characteristics of money (4mks)

17. Name the rewards for the following factors of production (4mks)

Factor of production	Reward
a) Employee	
b) Machine	
c) Minerals	
d) Farmer	

18. Outline **four** challenges that may be experienced by a country whose population is made up of a large proportion of young people (4mks)

19. Highlight any **four** characteristics of perfect competition type of market structure (4mks)

20. State the line of communication involved in each of the following. (4mks)

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

21. State the effect of each of the following transactions on the balance sheet totals by writing increase or decrease or no effect in each case. (4mks)

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

22. Outline the assumptions that the circular flow of income in a closed economy work under (4mks)

23. The following balances were extracted from the books of Wanji traders for the year ended 30th June

2005. (4mks)

	Sh
Debtor	120,000
Creditor	60,000
Machinery	450,000
Cash in hand	70,000

Cash at bank	180,000
5 years bank loan	270,000
Stock	60,000

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

24. Outline **four** reasons for maintaining a cash book in a business enterprise. (4mks)

25. Highlight **four** factors that should be considered when choosing a method of promoting a product.

(4mks)

PAPER 2

1. Answer any **FIVE** questions in the foolscaps provided

26. a) Outline any five differences between private limited liability company and public limited liability company. (10mks)

b) Describe five accounting documents used in home trade. (10mks)

27. a) The table below shows the demand and supply schedules for product A in a week.

Price(sh)	Quantity demanded (‘000’ tonnes)	Quantity supplied (‘000’ tonnes)
35	5	80
30	10	65
25	20	55
20	25	40
15	30	35
10	40	20
5	55	5

Use the information in the table above, draw the demand and supply curve showing the market

equilibrium for the produce. (10mk)

b) Explain five benefits that a firm may enjoy by preparing a business plan. (10mks)

28. a) Traders are required to observe ethical practices when carrying out product promotion.

Explain five reasons for observing such ethical practices (10mks)

b) Explain five benefits that may be realized by a country as a result of government policy to relocate

Industries to rural areas. (10mks)

29. a) Outline any five factors to consider while locating a ware house. (10mks)
- b) On 1st September 2015, Miriam had sh 55,000 in hand and sh. 250,000 in bank. During the month the following transactions took place.
- Sep 2: Cash sales banked sh 35,260
- Sep 3: Bought ribbons in cash sh 4,500
- Sep 8: Paid Wangila, a creditor sh 94,000 by cheque in full settlement of his account after deduction 6% cash discount.
- Sep 12: Received a cheque for sh 58,800 from Wetu after allowing her cash discount of sh 1,200
- Sep 15: Paid salaries of sh 34,000 in cash
- Sep 25: Withdrew sh 50,000 from bank for office use.
- Sep 28: Anyango a debtor paid her account of sh 75,000 by cheque less 10% cash discount.
- Sept 30: Deposited all the cash into the bank except sh 13,700
- Prepare a three column cash book and balance it off. (10mks)
30. a) Explain any five uses of National Income Statistics (10mks)
- b) The following trial balance related to Tai Traders as at 31st December 2014

TAI TRADERS		
TRIAL BALANCE		
AS AT 31 ST DECEMBER 2014		
Details	Dr (Ksh)	Cr(Ksh)
Stock	10,000	
Bank	3,500	
Purchases	15,000	
Sales		28,000
Returns	800	1,100
Rent		580
Insurance	950	

Creditor		450
Carriage in	1,200	
Discounts	300	1,620
	31,750	31,750

Additional information

- Closing stock was valued at Ksh 2,500
- Carriage out was Ksh 1,200

Required: Prepare trading profit and loss account.

(10mks)

31. a) Explain any five reasons why one would prefer to transport goods on road than rail.

(10mks)

b) On 1st January 1993 Makena started a business with sh 120,000 cash and sh 300,000 in the bank.

The following transactions were done in the month of January 1993.

January 3: Bought goods worth sh 60,000 by cheque

January 10: Sold goods worth sh 35,000 cash

January 14: Bought goods worth sh 90,000 cash from Odero

January 18: Paid wages sh 18,000 by cash

January 20: Withdrew sh 40,000 from bank for office use.

Required;

Record the above transactions in the relevant ledger account, balance them off and extract a trial balance. (10mks)

KCSE PREDICTION 14.

PAPER 1

1. Outline **four** reasons why filing is an important function of an organization.(4marks)

2. Koech started a business dealing in ladies clothing ten years ago. His business has gradually been growing and making more profits. Outline **four** reasons that may account to this. (4 marks)

3. The table below contains descriptions of some goods. Classify them as Consumer, Intermediate, Free goods or Capital goods. (4marks)

Description	Classification
a) Goods used in the production of other goods but does not form part of the finished products	
b) Goods that are in their final state of usage	
c) Goods that are abundant in supply and have no monetary value	
d) Goods that are not ready for use before they are further processed	

4. Outline **four** examples of open trade credit used in home trade. (4marks)

5. Outline **four** factors that determine the amount of money held by an individual for speculative motive.

(4 marks)

6. Using a (+) for increase, (-) for decrease and (0) for no effect, indicate the effects of the following transactions on Assets, Liabilities, Capital and the balance sheet totals.

(4 marks)

Description	Assets	Liabilities	Capital	Balance sheet totals
a) Bought goods worth shs 5000 on credit				
b) Sold goods worth shs7000 for shs8000 Cash				
c) The Proprietor took goods worth shs 2000 for personal use				
d) The Proprietor donated personal motor vehicle worth shs 500,000 to the business				

7. Outline **four** reasons that may have led to the change in quantities demanded of commodity X in the market as shown in the schedule below. (4marks)

Time	January	February	March	April
Price (shs)	120	120	120	120
Quantities demanded	6,000	4,000	2,800	2,000

8. The capital of Kimosop traders on 1st January 2018 was shs. 85,000. During the year, additional investments of shs. 50,000 and drawings of shs. 60,000 were made. The capital as at 31st Dec 2018 was 65,000. Calculate Kimosop trader's profits or loss. (4 marks)

9. Highlight four reasons why the government may decide to reduce her shareholding in public corporations to a level below 50%. (4 marks)

10. State how the following components are treated in the measurement of national income. (4 marks)

National income component	State whether added or subtracted
a). Transfer Payments	
b). Depreciation	
c). Subsistence farming	
d). Net income from Abroad	

11. State **four** differences between ordinary shares and preference shares. (4 marks)

12. State **four** circumstances under which the use of face to face communication may be appropriate. (4 marks)

13. Highlight **four** disadvantages of using sea transport. (4 marks)

14. Outline **four** circumstances under which a intermediaries is used in distribution of a firms products. (4 marks)

15. Balance the following ledger accounts and extract a trial balance as at 30th June 2015 (4 marks)

Dr	Debtors a/c	Cr	Dr	Capital a/c	Cr
----	-------------	----	----	-------------	----

8/6/15 Debtors	1500
2/6/15 Bal b/d	16000

2/6/15 Bal b/d	7000
8/6/15 Cash	1500

Dr	Cash a/c	Cr	Dr	Creditors a/c	Cr
2/6/15 Bal b/d	12,000	5/6/15 Creditors	2000	5/6/15 Cash	2000
3000				2/6/15 Bal b/d	

16. State **four** causes of structural unemployment.

(4marks)

17. Highlight **four** characteristics of a public warehouse.

(4 marks)

18. The following balance sheet belongs to Rivatex Traders.

Rivatex
Balance Sheet
As at 30th June .

<u>Fixed Assets</u>	sh		Sh
sh		Capital	120,000
Premises	90,000	Add Profit	<u>30,000</u>
Furniture and Fixtures	70,000	Net Capital	150,000
Land	<u>140,000</u>		
300000		<u>Long Term Liabilities</u>	
<u>Current Assets</u>		5 year bank loan	200,000
Cash	7000	<u>Short term liabilities</u>	
Stock	15000	Bank overdraft	<u>7,000</u>
Bank	10000		<u>357,000</u>
Pre-paid rent	25000		
<u>57000</u>			
	<u>357,000</u>		

Required: Calculate

i) Working Capital
Borrowed Capital
Employed

(1 mark)

(1 mark) ii)
(1 mark) iii) Capital
(1 mark) iv) Capital invested

19. State **four** levels of inflation.

(4marks)

20. The following statements relates to a description of a certain type of tax. Identify the tax and classify it as either direct or indirect tax.

(4 marks)

	Description	Tax	Classification
(a)	A tax that is imposed on goods that are manufacture and sold within a country.		
(b)	Tax usually levied on profits of companies		
(c)	Tax levied on the value that a business adds to a product.		
(d)	Tax levied on personal wealth that goes beyond a certain limit.		

21. Record the following transactions in the relevant journals (4 marks)

Feb 2: Bought goods on Credit worth shs6500 from Eldolink suppliers
Feb 8: Sold goods worth shs5000 on credit to Jamal.
Feb 12: Sold stock valued at shs8500 on credit to Musyoka
Feb 16: Bought goods worth shs3000 on credit from Jetlink traders

22. John and Peter bought a Nissan matatu worth sh. 3,000,000. John paid sh. 2,000,000 and Peter sh. 1,000,000. They insured the matatu for a comprehensive cover for shs 2,500,000. Later the matatu was involved in an accident to a loss of sh 1,500,000. How much were they compensated and give reasons in support of your answer? (4 marks)

23. Outline **four** reasons why subsistence production is discouraged in many countries. (4 marks)

24. Highlight four features of an Oligopoly market structure. (4 marks) 25. Describe

the following terms of sale as used in international trade. (4 marks) a) LOCO

b) Free Alongside Ship

c) Cost & Freight

d) Franco

PAPER 2

1. a) Explain **five** ways in which the demographic environment may positively influence

business activities. (10 marks)

b) Explain **five** advantages that accrue to a firm due to increased production. (10 marks)

2. a) Explain **five** reasons for the popularity of using social media in product promotion. (10 marks)

b) Explain **five** measures that a country may take to correct a balance of payment deficit. (10 marks)

3. a) Explain **five** differences between a cooperative society and a private limited company. (10 marks)

b) Outline **five** benefits that a country may derive by preparing a development plan. (10 marks)

4. a) The table below shows the Gross Domestic Product (GDP) of a country X in the year 2014 to 2018.

Year	2014	2015	2016	2017	2018
GDP (Sh in millions)	19,201	27,304	33,092	41,067	54,689

Explain **five** factors that may have caused the above trend. (10 marks)

b) Explain **five** causes of demand pull inflation. (10marks)

5. a) Kenya is endowed with some economic resources yet it has failed to exploit them. Outline **five** reasons that account for this. (10 marks)

b) On 1st May 2018, Sosit traders had Sh.25,000 Cash in hand and Bank overdraft of sh 15,000. During the month the following transactions took place.

2018

May 3: Kipkurui, a debtor settled his account of sh 12000 by cheque of sh 10,000

May 5: Paid rent by cash sh. 5000

May 6: Deposited sh. 2000 into the business bank account from the cash till.

May 8: Received sh 6000 Cash from Kamau, a debtor

May 10: Wanjiku a debtor settled her account of 15,000 by cheque, having been

allowed 20% discount.

May 15: Purchased Furniture worth sh 3,000 paying by cheque
May 18: Deposited sh 7,000 into the bank from private sources.

May 23: Received the following amounts in cash from debtors having deducted cash discount of 5%. Kertich sh 7600, Brian sh

4750
May 25: Banked all the available Cash except sh 1000

Required:

Prepare a dully balanced three column cash book. (10 marks)

6. a) By aid of a diagram, explain how price of a commodity is determined by the forces of demand and supply. (10 marks)

b) The following trial balance was extracted from the books of Rafiki traders as at 31st December 2018.

Rafiki traders Trial Balance As at 31 st December 2018		
	Dr. (Sh.)	Cr. (Sh.)
Purchases	420,000	
Sales		855,000
Returns		20,000
Creditors	12,000	100,000
Debtors		
Bank overdraft	63,000	65,000
Motor- vehicle		
Cash in hand	480,000	
Furniture	65,000	
Carriage inwards	190,000	
Stock on 1 st Dec 2018	14,000	
Capital	280,000	626,250
Drawings		
Telephone	88,000	
Insurance	6,400	
Postage	8,200	
Rent	3,850	4,000
Discounts	19,600	
Advertising	7,300	
		<u>1,670,250</u>

12,900
1,670,250

Additional information;

Stock as at 31st December 2018 amounted to shs.60,000.

Required:

- (i) Prepare Rafiki traders trading profit and loss account. (6 marks)
- (ii) A balance sheet as at 31st December 2018. (4 marks)

KCSE PREDICTION 15 .

PAPER 1

1. State four occupations that a person may engage in the primary level of production. (4mks)
2. Outline four consequences of a poor filing system in an organization. (4mks)
3. Highlight four benefits that consumers may get from small scale retailers. (4mks)
4. Classify each of the following wants as either basic or secondary.
 - a) Education.....
 - b) Plate of rice.....

c) Medicine for a sick person.....

d) 10 – bed roomed house.....

5. Give four internal diseconomies of scale that are likely to be experienced by a firm. (4mks)

6. Indicate whether the following items would increase or decrease capital of a business.

Item	Effect on capital
a) Profit	
b) Drawings	
c) Loss	
d) investment	

7. Outline four reasons for taxation in any economy. (4mks)

8. Outline four benefits of M – banking services to a customer. (4mks)

9. The following information relates to the books of Kericho traders on 30th Dec 2017

Stock 50,000

Debtors 180,000

Bank overdraft 30,000

Land 460,000

Creditors 40,000

Long term loan 215,000

Cash at hand 20,000

Capital?

Prepare Kericho Traders' Balance sheet as at 31 Dec 2017.

10. State the type of business environment described in each of the following

a) Formal arrangement of functions and relationships of people in business.....

b) Members expectations, beliefs and values within the organization

c) Changes in population

d) Level of knowledge and efficiency in use of tools and equipments

11. Outline four effects of fixing price above the equilibrium price level. (4mks)

12. Jelimo wants to join savings and credit co – operative (Sacco) Outline four benefits she will enjoy being a member of the co operative. (4mks)

13. State four ways through which a firm may acquire a monopoly position. (4mks)

14. Identify four types of advertising. (4mks)

15. State four errors that may not affect the balancing of a trial balance. (4mks)

16. Identify four circumstances under which insurance Company may refuse to compensate the insured in times of loss. (4mks)

17. The following information relates to Makueni enterprises for the year ended 31st Sep. 2016

Mark – up 25%

Sales 250,000

Determine

a) Margin (1mk)

b) Cross profit (1mk)

c) Cost of goods sold. (2mks)

18. State four circumstances in which sign language may be preferred as a means of communication.

(4mks)

19. State four circumstances under which a business may prefer to transport goods by air. (4mks)

20. State four ways in which consumers would suffer if there were no warehousing

facilities.(4mks)

21. Identify the type of unemployment associated to each one of the following statement.(4mks)

Statement	Type of unemployment
a) Withdrawal of worker does not affect out put	
b) Arises out of physical challenges/disabilities	
c) Ignorance of existence of a job opportunity	
d) People choose not to work despite availability of jobs	

22. State four factors that influences entrepreneurial practice in Kenya. (4mks)

23. State the book of original entry into which each of the following transaction would be entered, stating

the source documents used in each case. (4mks)

Transaction	Source document	Book of original entry
a) Where goods are sold on credit		
b) Where goods are sold on cash		
c) Where goods are sold on credit are returned		
d) When we return goods previously bought on credit to supplier		

24. List four problems of using expenditure approach in measuring the national income.(4marks)

25. The following cash transaction took place in the business of Kipkelion traders during the first week of January 2014.

January 1. Balances brought down cash. 12000 Bank 35,000

2. Sold furniture for cash 8000

3. Cash sales sh. 1000 paid directly to the bank

4. The owner took cash for personal use sh. 1500
5. Bought goods worth sh. 10,000 paying by cheque

Required: Prepare a two-column cash book

PAPER 2

1. (a) Explain five factors that are considered when carrying out evaluation of business opportunities. (10mks)
(b) Discuss five causes of unemployment in Kenya. 10mks
2. (a) Explain five benefits that could be enjoyed by a person who decides to take out an endowment policy. (10mks)
(b) The following transactions relate to expert Traders for the month of May 2013.
May 5: Sold goods on credit to Paul shs 12,000 and Jane shs 16,000.
May 8: Bought goods on credit from Shan traders shs 40,000.
May 10: Paul returned goods worth shs 2000.
May 13: Purchased goods on credit from Grace shs 34,000 and Peter Traders shs 31,050. May 16: Goods worth shs 6,000 were returned to Shan traders and goods worth shs 3,000 to Grace.
May 20: Goods sold on credit to Paul shs 8,000, Tom shs 11,000 and Joseph shs 13,000.
May 26: Goods returned by Betty Shs 2,000.

Required:

Prepare the relevant Journals.
(10mks)

3. (a) Explain five benefits that may accrue to the country as a result of extending oil pipeline from Nairobi to Western Kenya. (10mks)
(b) Explain five measures that can be used by the government to control demand –pull inflation in an economy like Kenya. (10mks)
4. a) Public finance refers to activities carried out by the government in raising and spending

- of finances. Explain five purpose of public finance (10mks)
- (b) A business intends to construct a warehouse. Explain five measures that it should take in consideration to ensure smooth function of the warehouse. (10mks)
5. (a) Using a clearly labelled diagram, explain leakages (withdrawals) and injections in a two-sector economy. (10mks)
- (b) Explain ways in which the central bank of Kenya can control supply of money in the economy. (10mks)
6. (a) Explain four reasons why a producer may sell goods through a wholesaler instead of selling directly to consumer (8mks)
- (b) The following Trial balance was extracted from the ledgers of Mapema Investment Limited on 31st December, 2012.

Mapema Investment Limited

Title of account	Debit	Credit
Equipment	(shs) 90,000	(shs)
Motor vehicle	250,000	
Sales		320,000
Return inwards	12,000	
Purchases	160,000	
Returns outward		34,500
Stock (1/01/2012)	86,400	
Electricity	12,900	
Rent	18,300	
Discount received		19,300
Salaries	36,000	
Insurance	14,500	
Cash at bank	34,500	
Debtors	63,000	
Capital		374,400
Creditors		29,400
	<u>777,600</u>	<u>777,600</u>

Trial

balance

As at 31st December 2012

Stock at 31st December 2012 was valued at shs 77,000.

Prepare:

- i) A trading profit and loss after the year ended 31st December 2012. (8mks)
- ii) A balance sheet as at 31/12/2012. (4mks)