

KCSE PREDICTIONS 2020

BUSINESS STUDIES PAPER 1

1. Identify the book of original entry in which each of the following transactions would be recorded. **(4 marks)**

	Transaction	Book of original entry
a)	Received cash sh. 25,000 from Kamau, a debtor.	
b)	Goods previously sold are now returned by Wanjohi, a debtor, sh. 2000	
c)	Bought furniture on credit sh. 50,000	
d)	Sold goods worth sh. 8000 on credit to James	

2. Highlight **four** differences between a savings account and a current account. **(4 marks)**

3. State **four** duties of customs officials in the bonded warehouse. **(4 marks)**

4. The following information relates to Malindi traders for the year 2012.

Turn over	Shs. 540,000
Margin	40%
Rate of turnover	6 times
Expenses	Sh. 80,000

From the above information, calculate:-

- a) Gross profit
- b) Cost of goods sold
- c) Net profit
- d) Average stock (4 marks)**

5. Isaac has just completed his studies and would like to start a business. Highlight **four factors that would influence him to locate his business near the market. (4 marks)**

6. Outline **four** disadvantages of automatic vending machines. **(4 marks)**

7. Highlight **four** factors that may influence a shift in supply curve to left. **(4 marks)**

8. State the effect of the following transactions on the capital indicating either “ increase, decrease, or no effect” **(4 marks)**

	Transaction	Effect on capital
Dec. 21	Owner converted personal property to business property worth sh. 15,000	

Dec. 23	Received a cheque for sh. 15,000 being amount borrowed from a lending institution	
Dec. 25	Business made a profit of sh. 100,000	
Dec 28	Owner took cash sh. 7000 from business for his own personal use.	

9. Highlight **four** factors to consider when selecting a means of reproducing documents

(4 marks)

10. State **four** ways in which a society benefits from indirect product.

(4 marks)

11. Outline **four** ways in which the utility of a commodity can be increased.

(4 marks)

12. Highlight four roles played by stock exchange market in the economy. (4 marks)

13. Highlight four types of direct tax. (4 marks)

14. Outline **four** benefits of export processing zones to the economy.

(4 marks)

15. Classify each of the following items of government expenditure as either development or recurrent.

(4 marks)

	Item	Recurrent	Development
a)	Purchase of medicine for hospitals		
b)	Construction on of a new road		
c)	Payment of soldiers' salaries		
d)	Purchase of machinery for road construction		

16. In the course of preparing her balance sheet as at 31st December 2014, Joyce found that she had capital amounting to sh. 240,000 in her business. During the year, investments to totalled to sh. 100,000 while drawings were sh. 112,000. Calculate her initial capital as at 1st January 2014 if the profit was sh. 76,000.

(4 marks)

17. Outline four circumstances under which a co-operative society may be dissolved. (4 marks)

18. State four disadvantages of railway transport. (4 marks)

19. Outline four roles of filing in an office. (4 marks)

20. Highlight four advantages of a bill of exchange (4 marks)

21. State four disadvantages of written communication. (4 marks)

22. Highlight four functions of advertising agencies. (4 marks)

23. Outline four challenges of young population. (4 marks)

24. State four accounting errors that may not be disclosed by the trial balance. (4 marks)

25. Highlight three causes of demand pull inflation. (4 marks)
