

**FORM FOUR CLUSTER KCSE MODEL 7**  
**BUSINESS PAPER 1 QUESTIONS**

1. Give four reasons why its advisable for the government of Kenya notto rely on imported oil as a source of energy. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

2. The following are characteristics of money: durability, homogeneity, acceptability, stability. In the table below, indicate the characteristic of money referred to by each of the statements:

Statement	Characteristic
i) <u>Monies</u> of same denomination should be equal in size and quality.	
ii) <u>Money</u> can be used to make payments in future.	
iii) <u>Generally</u> used as a medium of exchange.	
iv) Money should win people's confidence so that they can hold it for future use.	

(4mks)

3. State four factors that may cause the operations of a warehouse to be ineffective. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

4. State four reasons why more Kenyans are using air transport (4mks)

- i).....
- ii).....
- iii).....
- iv).....

5. State the law relating to the following: (3mks)

i) Demand

.....  
 .....

ii) Supply

.....  
 .....

iii) Demand and supply

.....  
 .....

6. Indicate with a tick whether the following factors refer to injections to or withdrawal from the national income of a country with a two-sector economy:

Factor	Injection	Withdrawal
i) <u>Government</u> taxation on business incomes.		
ii) <u>Firms'</u> investments in capital equipments.		
iii) Country's export revenue		
iv) Households' savings for future use		

(4mks)

7. Outline four ways in which the value of goods can be increased. (4mks)

- i).....
- ii).....
- iii).....
- iv).....

**8. State four intermediaries involved in distribution of locally manufactured goods in Kenya. (4mks)**

- i).....
- ii).....
- iii).....
- iv).....

**9. State four services that retailers offer to their customers. (4mks)**

- i).....
- ii).....
- iii).....
- iv).....

**10. State four features of an economic union. (4mks)**

- i).....
- ii).....
- iii).....
- iv).....

**11. Highlight four measures the owner of a business can take to improve the internal environment of his business. (4mks)**

- i).....
- ii).....
- iii).....

iv).....

12. State four errors committed in the books of accounts that can be detected using a trial balance.

(4mks)

i).....

ii).....

iii).....

iv).....

13. Identify the principle of insurance referred to by each of the following statements:

Statement Principle of insurance

Factor	Injection	Withdrawal
i) <u>Government</u> taxation on business incomes.		
ii) <u>Firms'</u> investments in capital equipments.		
iii) Country's export revenue		
iv) Households' savings for future use		

(4mks)

14. ) Highlight four causes of cyclical unemployment. (4mks)

i).....

ii).....

iii).....

iv).....

15. State four advantages of using billboards to advertise products. (4mks)

i).....

ii).....

iii).....

iv).....

16. State four ways in which ideas to start a business may develop in people. (4mks)

i).....

ii).....

iii).....

iv).....

17. Post the entries in the journal below to the relevant ledger accounts. (5mks)

**Cash Receipts Journal**

Date	Details	Receipt no.	Folio	Disc. All.	Cash	Bank
July 4	Sales	20	GL2		4,000	
July 5	Sales	21	GL2			6,000
July 16	<u>Kamau</u>	22	SL4	320	8,680	
July 17	<u>Wafula</u>	23	SL6	190		8,310
July 21	Sales	24	GL2		7,000	
				510	19,680	14,310

18. Give four reasons why a balance sheet is important to a business. (4mks)

i).....

ii).....

iii).....

iv).....

19. State four functions of a personal secretary in an organization. (4mks)

i).....

ii).....

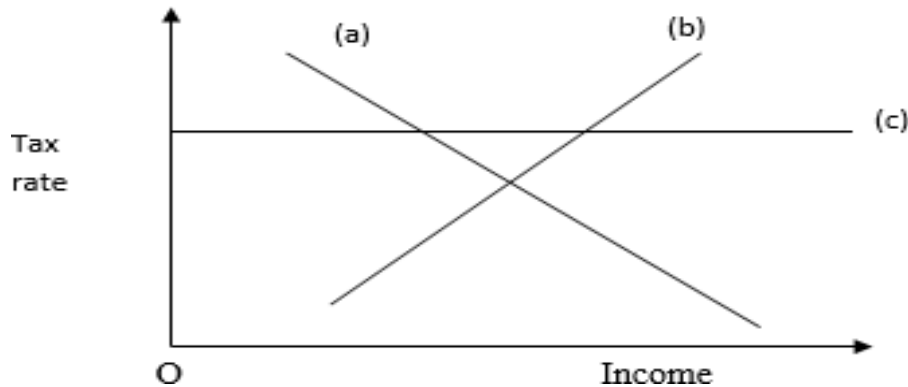
iii).....

iv).....

20. Give four differences between debentures and ordinary shares of a company. (4mks)

Debentures	Ordinary shares
i)	i)
ii)	ii)
iii)	iii)
iv)	iv)

21. Study the diagram below:



Income Identify the curve representing each of the following:

i) Regressive tax.....

ii) Progressive tax.....

iii) Proportional tax.....(3mks)

22. In view of the expected devolved system of government, identify four measures that a county governor can take in order to attract investors to locate their businesses in the county. (4mks)

i).....

ii).....

iii).....

iv).....

**23. The following information refers to Misikhu Traders for the year ending 31st December 2012.**

	<u>Sh</u>
Gross profit	80,000
Air time	4,300
Fuel	5,000
Discount received	7,500
Discount allowed	6,880
Carriage outwards	5,080
Electricity	3,750

Required:

Prepare a profit and loss account.

(5mks)

**24. Highlight four benefits of buying goods from a chain store. (4mks)**

i).....

ii).....

iii).....

iv).....

**25. A student wishes to run a business after completing secondary school. State four ways in which the learning of Business Studies will be of benefit to him. (4mks)**

i).....

ii).....

iii).....

iv).....