

**FORM 3 TERM 1 2021**  
**BUSINESS STUDIES**

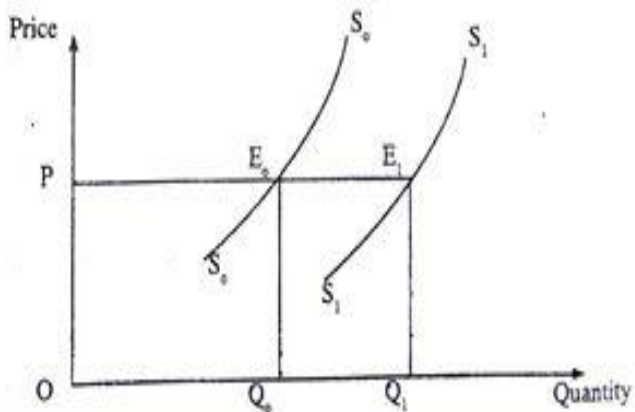
1. State four reasons that would make an individual engage in business. (4mks)

2. State four reasons why a new business may fail. (4mks)

3. Outline four benefits that a saving and credit co-operative society (SACCO) provides (4mks)

4. State four principles of insurance (4mks)

5. The diagram below shows supply of a certain commodity.

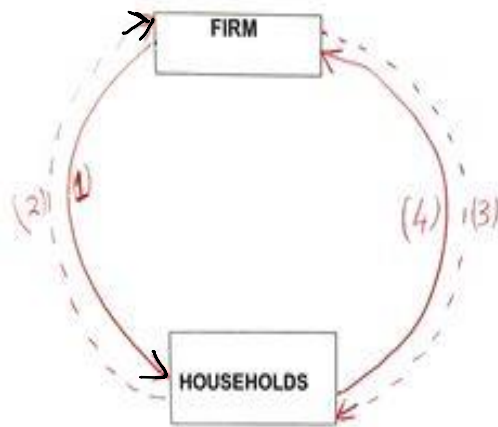


Outline four factors that may have caused the shift in the supply curve from  $S_0$  to  $S_1$ . (4mks)

6. Outline four reasons why a firm may remain small.

(4mks)

7. The diagram below represent the circular flow of income in a two sector closed economy.



Identify four factors represented by each of the arrows labeled 1 – 4 . (4mks)

- 1.....
- 2.....
- 3.....
- 4.....

8. The following balances were extracted from the Books of Anestar traders for the year ended 30th June 2019

	<u>sh.</u>
Capital	550,000
Debtors	120,000
Creditors	60,000
Machinery	450,000
Cash at hand	70,000
Cash at bank	180,000
5 years loan	270,000
Stock	60,000

Prepare Anestar traders balance sheet as at 30th June 2019. (4mks)

9. Explain the following four types of unemployment. (8mks)  
 Seasonal unemployment

b. Frictional unemployment

c. Cyclical unemployment

d. Involuntary unemployment.

10. The following balances were extracted from the books of Mwangi traders on 1st January 2020

<u>Details</u>	<u>sh.</u>
Furniture	56,000
Capital	80,000
Creditors	20,000
Debtors	25,000
Bank	11,000
Cash	8,000

During the month, the following transactions took place.

Paid a creditor sh. 45,000 in cash.

Took sh. 3,000 from the bank for family use.

Bought stock for sh. 18,600 on creditor.

Acquired a 10 year bank loan sh. 165,000 which was paid to the business bank account.

Purchased land worth sh. 82,000 paying by cheque.

Converted a family table worth sh. 5,500 to business use.

Received sh. 7,300 in cash from a debtor.

Prepare Mwangi traders balance sheet as at 31st January 2020.

(10mks)