

FORM 4 TERM 1 2021

BUSINESS STUDIES

INSTRUCTIONS

Answer all questions in the spaces provided.

1. The following balances were extracted from the books of Chombo wholesalers for the year ended on 31st December 2005. (6mks)

	sh.
Sales	500,000
Opening stock (1.1.2005)	80,000
Closing stock (31.12.2005)	40,000
Purchase	320,000
Debtors	140,000
Creditors	90,000

Calculate;

- a) Margin
- b) Current Ratio
- c) Rate of stock turnover

2. State four problems that a planner may encounter in development planning. (4mks)

3. The average price for a 500g container of cooking fat for various years is shown in the table below. (4mks)

year	Consumer price Kshs	Consumer price index
2017	47	100
2018	53	-
2019	62	-
2020	74	-
2021	80	-

Use 2017 as the base year.

4. State four guidelines that should be followed by the government in its expenditure. (4mks)

5. Country X has been experiencing an upward trend in the price of petrol as a result of rise in inflation. State four steps that can be taken to minimize expenditure on this product. (4mks)

6. What measures would country take in order to correct balance of payment deficit? (4mks)

7. The following transactions relate to Jelimo stores:

a) 10th October 2010, sold unused stationery for kshs. 3,000.

b) 23rd October 2010, bought a motor vehicle on credit from Onjwarice motors for sh 700,000 required; Record the above transaction in the general ledger given below. (4mks)

8. The equation given below relate to quantity demanded and quality supplied at the equilibrium point;

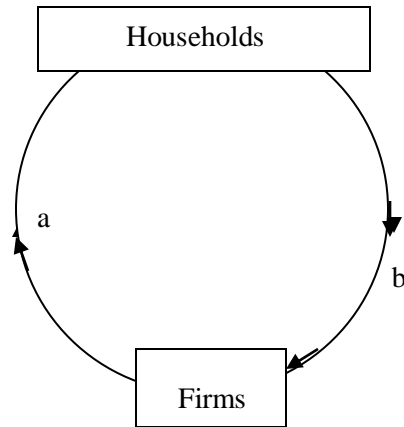
$$Q_{de} = 4P + 50$$

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

Determine the equilibrium price and quantity.

(4mks)

9. The following diagram represents the circular flow of income in a two sector closed economy.



Identify two factors represented by each of the arrows labeled a and b. (4mks)

- a) i)
- ii)

- b) i)
- ii)

10. Highlight four benefits of communication to a business. (4mks)

11. What benefits may accrue to manufacturing firm that uses modern technology. (4mks)

12. Ethics is crucial in the success of a business. Outline the role played by the ethics. (4mks)