



Business Studies 565/1

Form 3

MARCH EXAMINATION 2021

2 hours

Additional Materials:

- Soft clean eraser
- Soft pencil (type B or HB recommended)

Read these instructions first

This paper contains 11 questions. Answer all questions in the spaces provided.

Do **not** use staples, paper clips, and glue or correction fluid.

Any rough working should be done in the rough work booklet provided.

NAME:

DATE:

SCORE:

TOTAL MARKS:

[Turn over]

1. Define the following terms: (8)

a) National income

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b) Gross Domestic Product

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c) Gross National Income

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d) Per Capita Income

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2.

a) What is circular flow of income? (2)

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b) State three assumptions to be considered for a circular flow of income (3)

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- c) Explain any two injections and two withdrawals affecting the circular flow of income (8)

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3.

- a) Measurement of national income can take either of the three approaches. Explain any two. (4)

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b) State any three challenges associated with the income approach (3)

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4. Explain three factors influencing the level of national income (6)

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5. Explain the following terms as used in business using at least an example in each. (12)

a) Debtors

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b) Capital

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c) Assets

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d) Liabilities

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6. Differentiate between fixed and current assets (2)

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7. What are three characteristics of a liability? (3)

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8. Explain the book keeping equation used in determining the business worth. State the formula (3)

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9. Complete the following table (8)

Assets		Capital	Liabilities
Sh		Sh	Sh
(a)	70,400	35,000	_____
(b)	_____	130,000	275,300
(c)	93,480	_____	108,000
(d)	148,390	83,600	_____
(e)	_____	62,470	58,900
(f)	475,120	_____	210,560
(g)	502,510	348,170	_____
(h)	_____	28,700	45820

10. The accounting period of Wachira Traders ended on 30th June 2013. The assets, liabilities and capital were as follows:

	Sh
Cash at hand	12,000
Stock	33,000
Furniture	7,000
Creditors	6,000
Long-term loan	30,000
Premises	50,000

Debtors	1,000
Bicycle	6,000
Capital	70,000

Prepare Wachira's balance sheet. Be careful to indicate all the necessary information on the balance sheet. (10)

11. What is the net worth of a business? (2)

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12. State two areas in which a balance sheet is important. (2)

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13. Explain any two uses of a balance sheet (2)

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14. Differentiate between solvent and insolvent businesses (2)

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