

MINISTRY OF EDUCATION AND HIGHER EDUCATION

FORM FOUR EXAMS, 2021

BUSINESS



P/LAND NATIONAL EXAMINATION BOARD

MINISTRY OF EDUCATION AND HIGHER EDUCATION
PUNTLAND NATIONAL EXAMINATIONS BOARD

Code Number

FORM FOUR EXAMINATION, 2021
TIME: 2 HOURS AND 10 MINUTES FOR READING

BUSINESS

Instructions to candidates

- Answer all the questions
- This paper consists of 11 pages, count it and if any is missing inform your invigilator
- Do not write your **name and roll number** on the exam paper
- Make sure that **student's profile** is attached to the exam paper, if not, inform you invigilator.
- No extra paper is allowed.
- If you make a mistake, **cross out the incorrect answer and write your correct answer.**

This exam paper consists of following parts

Parts	Marks
Part one: Multiple Choice questions	20 marks
Part two: Matching	10 marks
Part three: Structured questions	70 marks
Total: 100 Marks	

For the markers only

PARTS	MARKS
Part one	
Part two	
Part three	
TOTAL	%



SOM EXAMS

Use this page for rough work. It will NOT be marked.

A series of horizontal dotted lines for rough work.

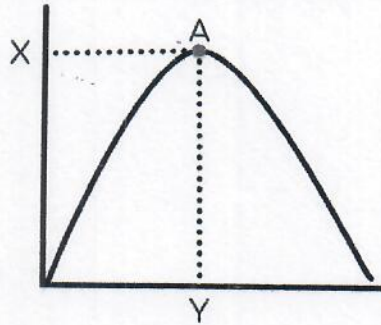


PART ONE: MULTIPLE CHOICE QUESTIONS (20 MARKS)

- The legal structure that allows company to act as a human person and be able to enter into **contracts, sue and be sued** as well as own properties is known as
 - Limited liability
 - Perpetual existence
 - Legal entity
 - Partnership deed
- When the economy of a country declines, the income of consumers will also decrease. How would this likely affect the market demand for normal goods?
 - Demand will increase
 - Demand will decrease
 - Demand will be same
 - Cannot be determined
- Flow of information between members of organization who are on different levels such as senior and junior managers.
 - Vertical communication
 - Formal communication
 - Horizontal communication
 - Diagonal communication
- The process of motivating and leading employees to achieve organizational goals.
 - Controlling
 - Planning
 - Organizing
 - Directing
- Government business enterprises is another name for
 - Public corporations
 - Partnerships
 - Sole proprietorship
 - Franchises
- Garaad business has fixed costs of **sh.so 400** each month. Its variable cost per unit is **Sh.so 10**. The firm's current level of output is **50 units** per month. The average price of its products is **Sh.so 20**. Calculate Garaad's total cost of production.
 - Sh.so 500
 - Sh.so 400
 - Sh.so 900
 - Sh.so 1000
- Suppose the supply of mangoes increase while there is **NO** change in demand of mangoes, the effect on the equilibrium price and quantity will be.
 - Decrease in equilibrium price and increase in quantity
 - Increase in both equilibrium price and quantity
 - Increase in equilibrium price and decrease in quantity
 - Decrease in both equilibrium price and quantity



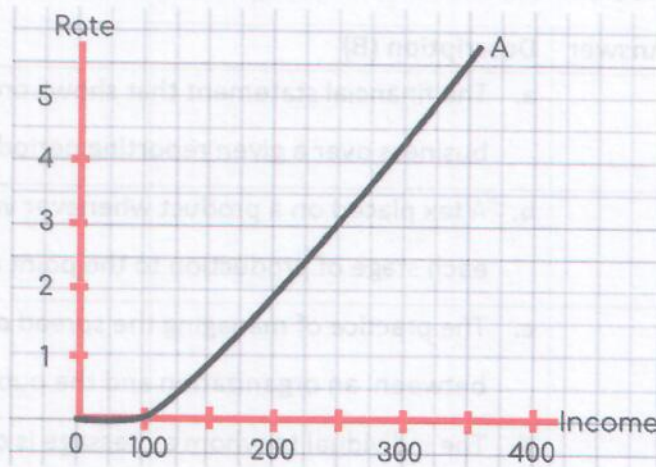
8. The statement that reports the financial position of a business is known as
- income statement
 - balance sheet
 - profit and loss account
 - trading account
9. The letter A in the diagram below shows _____ population



- Under
 - Over
 - Unemployed
 - Optimum
10. The institution that manages the currency, monetary policy and the commercial banks of a country is called
- Commercial bank
 - Investment bank
 - Transfer agency
 - Central bank
11. When there is high inflation, low economic growth and higher levels of unemployment the economy is said to be in a situation of
- Deflation
 - Disinflation
 - Stagflation
 - Creeping inflation
12. The place, room or building where administrative, secretarial and financial functions of the organization is performed
- Office
 - Equipment
 - Filing
 - Document
13. Geedi has total assets of Sh.so 6,000, and total liabilities of Sh.so 2,000. The net profit for the year was Sh.so 1,000, and during the year Geedi's drawings amounted to Sh.so 800. The amount of capital at the end of the year will become:
- Sh.so 5000
 - Sh.so 4200
 - Sh.so 4000
 - Sh.so 5200
14. Any activity undertaken to provide goods and services with the aim of making profit
- Business studies
 - Business
 - Organization
 - Profit



15. The diagram below represents the tax rate of a given country. Using your public finance knowledge identify the type of tax that is represented by curve A.



- a. Progressive tax rate
- b. Regressive tax rate
- c. Proportional tax rate
- d. Negative tax rate

16. The unemployment arising when workers are unemployed because they lack the skills needed by employers is called

- a. Frictional
- b. Seasonal
- c. Cyclical
- d. Structural

17. Which of the following is good exported by Somalia

- a. Cars
- b. Banana
- c. Medical supplies
- d. Building material

18. The property that is insured whose loss, damage or destruction would result financial loss to the insured.

- a. Insurance
- b. Premium
- c. Risk
- d. Matter insured

19. Which of the following is an example of direct tax

- a. Personal income tax
- b. Value added tax
- c. Excises data
- d. Sales tax

20. Two goods for which an increase in the price of one leads to an increase in the demand for the other

- a. normal goods
- b. inferior goods
- c. substitute goods
- d. complementary goods



PART TWO: MATCHING**(10 MARKS)**

1. Match the terms in column (A) with their meaning in column (B)

No.	Term (A)	Answer	Description (B)
1.	Cost-push inflation		a. The financial statement that shows profitability of business over a given reporting period.
2.	Frictional unemployment		b. A tax placed on a product whenever value is added at each stage of production to the point of sale.
3.	Immigration		c. The practice of managing the spread of information between an organization and the public
4.	Marketing		d. The individual to whom a message is directed
5.	Value added tax		e. Movement of people into a country
6.	Income statement		f. A direct payment made to others in the course of running a business
7.	Public relations		g. Activities a company undertakes to promote the buying or selling of a product
8.	explicit cost		h. Occurs when workers are between jobs
9.	Gross national product		i. A type of inflation caused by substantial increases in the cost of production of important goods or services.
10.	Receiver		j. Total value of all finished goods and services produced by a country's citizens in a given financial year

PART THREE: STRUCTURED QUESTIONS**(70 MARKS)**

1. Identify two advantages of limited liability companies

(2 Marks)

2. Complete the following table by calculating the missing figures

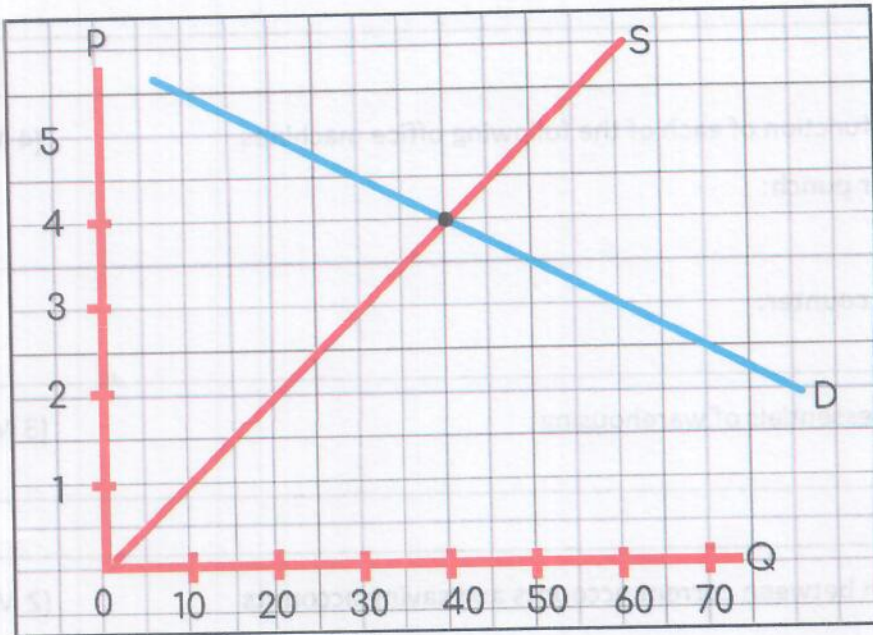
(4 Marks)

Assets	Capital	Liabilities
250	B: _____	120
A: _____	500	250
1,500	C: _____	600
220	180	D: _____



3. Using the following demand and supply curves answer all of the following questions

(5 Marks)



- Identify the **equilibrium price** _____ and **equilibrium quantity** _____.
- Calculate the **shortage** in the market when price is 3 _____
- Calculate the **surplus** when price is 5 _____
- What will happen to the **equilibrium price and quantity** if **demand decreases**

4. A country has a consumer price index of **110** in 2015 and **88** in 2016. (4 Marks)

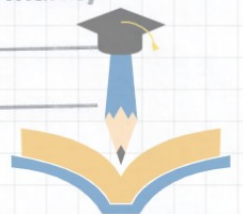
- Calculate the **inflation rate** between 2015 and 2016.

- Was there **inflation or deflation** in **2016**

- State two types of **inflation**

5. State two objectives of any business organization (2 Mark)

6. Differentiate between **oral** and **written** communication (2 Marks)



7. Briefly describe the concepts of **scarcity** and **choice** (2 Marks)

8. State the function of each of the following office machines (4 Marks)

a. Paper punch:

b. Cash counter:

9. List three essentials of warehousing (3 Marks)

10. Distinguish between **current accounts** and **saving accounts** (2 Marks)

11. State three levels of management (3 Marks)

12. The following information relates to a particular country. Using the information calculate: (4 Marks)

Population	2,000
Births	500
Deaths	400

a. Crude Birth Rate

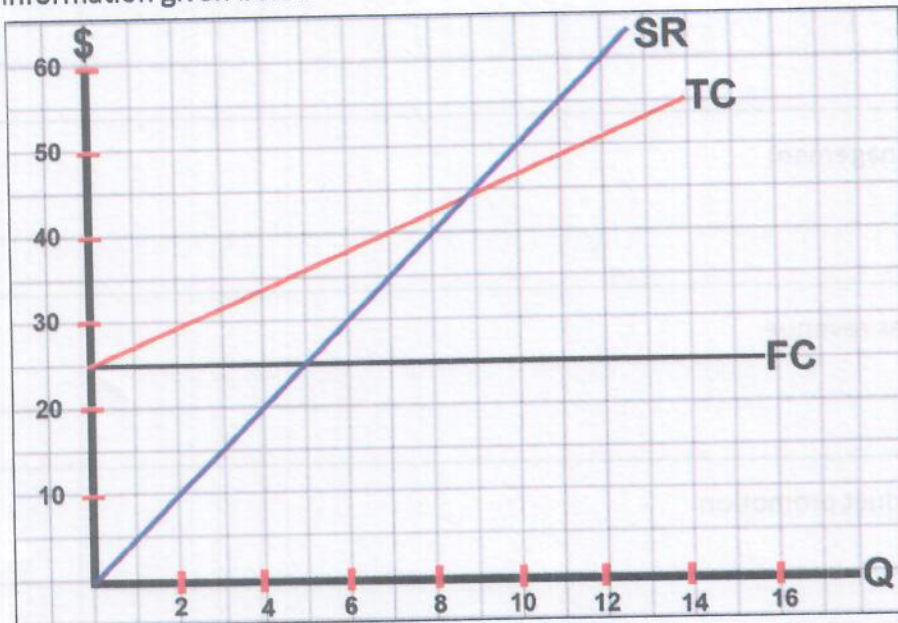
b. Crude Death Rate

c. Population Growth rate

d. Define population



13. The following diagram relates to Horumar Business. Using the diagram complete the information given below (5 Marks)



- The sales revenue of Horumar Business when producing 7 units is _____
- The breakeven quantity of Horumar Business is _____
- The total fixed cost of Horumar Business is _____
- The total cost of Horumar Business when producing 7 units is _____
- The variable cost of Horumar Business when producing 7 units is _____

14. Classify the following information into assets, expenses and liabilities (5 Marks)

Item	Asset	Liability	Expense
a) Debtors			
b) Rent			
c) Commission paid			
d) Tax payable			
e) Furniture			

15. Fill in the blank spaces with the words in the table below (5 Marks)

A. Liability	B. Advertising	C. GDP	D. Decisional	E. Property tax
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- _____ is tax on the value of a property
- _____ is market value of all the finished goods and services produced within a country's borders
- _____ is process of promoting product through mass media
- _____ is the role of the manager to make organizational decisions
- _____ Debts owed by a business for goods and services



16. Define each of the following terms

(6 Marks)

a. Demand

b. Management

c. Sales revenue

d. Product promotion

e. Accounting

f. Taxation

17. Identify two leakages and two injections of the circular flow diagram

(4 Marks)

a. Leakages _____ , _____

b. Injections _____ , _____

18. Ahmed is starting a new business. He is considering identifying all factors that affect his business.

a. Can you help Ahmed list three factors that may affect his business from inside

(3 Marks)

b. What does the term "P.E.S.T" stands for

(1 Mark)



19. The following trial balance was extracted from the books of Rays Enterprises as at 31 December 2020.

Rays Enterprises		
Trial balance as at 31 December 2020		
Ledger Accounts	Debit	Credit
Property and Equipment	600	
Opening inventory	80	
Trade receivables	30	
Bank	150	
Trade payables		80
Capital		600
3 year loan		90
Drawings	26	
Return inward	18	
Return outward		16
Carriage inward	15	
Carriage outward	13	
Discount received		30
Sales		360
Purchase	200	
General expenses	12	
Business Rates	15	
Advertising expense	17	
Total	<u>1,176</u>	<u>1,176</u>

Additional information

Closing inventory for the year was estimated to be sh.so 120

Requirement

- a) Prepare the **income statement** of Rays Enterprises for the year ended 31 December 2020 (5 Marks)

